HUTCHISON CHINA MEDITECH LTD

Hutchison China MediTech Limited ("Chi-Med")

(AIM: HCM)

Final Results for the year ended 31 December 2012

Momentum in China Healthcare and Drug R&D. Expect strong progress in 2013.

London: Tuesday, 26 March 2013: Chi-Med today announces its final results for the year ended 31 December 2012.

Consolidated Group Results

- Revenue from continuing operations up 18% to $195.4 million (2011: $165.0m).
- Operating profit up 65% to $8.9 million (2011: $5.4m) - China Healthcare and Drug R&D gains partially offset by Consumer Products Division restructuring costs.
- Net profit attributable to Chi-Med equity holders up 412% to $3.6 million (2011: $0.7m).
- Cash and cash equivalents and unutilised bank loan facilities of $85.9 million. Net cash $23.9 million.

China Healthcare Division - Increasingly significant source of profit and cash for the Group

- Sales of subsidiaries and jointly controlled entities ("JCE") up 29% to $350.5 million (2011: $271.0m). Organic expansion of own brands (up 15% to $300.0m) with prescription drug sales remaining the key driver. Growth of over-the-counter ("OTC") drug distribution business (up 351% to $50.5m).
- Net profit attributable to Chi-Med equity holders up 11% to $15.5 million (2011: $14.0m).
- Positive impact expected in 2013 as OTC raw material prices continue to normalise.

Drug R&D Division – Greatest driver of major step-change value creation

- Revenue $7.4 million (2011: $14.8m). Net profit attributable to Chi-Med equity holders $2.8 million (2011: net loss $3.7m) due to lower licensing income, increased clinical trial costs, and a one-time dilution gain of $11.5 million from establishment of Nutrition Science Partners Limited ("NSP").
- Progressing five high potential small molecule oncology drug candidates in Phase I/II trials in China and Australia, one in partnership with AstraZeneca Plc ("AstraZeneca"). Proof-of-concept data on several clinical drug candidates expected in 2013.
- Establishment of 50/50 joint venture, NSP, with Nestlé Health Science SA ("Nestlé Health Science") to progress HMPL-004 into global Phase III trials in early 2013, and to research and develop a pipeline of innovative gastrointestinal medicine products. Transaction subject to regulatory approvals.
- Immunology collaboration with Janssen Pharmaceuticals, Inc. ("J&J") progressing well -- decision point in 2013.

Consumer Products Division – Re-structuring year with closure of loss makers

- Sales on continuing operations down 9% to $10.0 million (2011: $11.1m) as we scale down loss making consumer businesses and focus on Hutchison Hain Organic and Sen in Asia.

- Non-recurring $7.2 million Consumer Products Division restructuring costs include $3.2 million charge on discontinuation of Sen UK business, and $4.0 million scale down costs from Sen France and China infant formula businesses.
- Net loss attributable to Chi-Med equity holders on continuing operations of $3.6 million (2011: -$1.4m).
- Continuing operations of Consumer Products Division are expected to be cash neutral in 2013.

Christian Hogg, Chi-Med CEO, said:

"2012 has been a great year for Chi-Med. In particular, our Drug R&D operation and its potential have been transformed through our 50/50 joint venture with Nestlé Health Science, which followed our 2011 deal with AstraZeneca, and by the rapidly expanding programme of discovery, clinical trial proof-of-concept data and licensing dialogue. The significant value of its pipeline of compounds is becoming increasingly clear.

Our China Healthcare division has shown continued solid growth, especially in its prescription drug and OTC drug distribution businesses, and its profitability will benefit in 2013 from an expected fall in OTC raw material costs, which has to date held back its profit growth rate, and from clarification on our property values.

We have also cut out the loss-making operations from our Consumer Products Division, creating a clear growth path for this division in China.

We have a clear and well established growth platform, with our business now focused on the continued powerful growth of the China pharmaceutical sector and with a Drug R&D business with considerable potential in global markets as well as China. The Drug R&D Division is now beginning to demonstrate that its innovations are of considerable worth and consequently we expect other partnership deals in 2013. We expect to create substantial shareholder value in 2013/2014 and the years beyond."

The Annual General Meeting of Chi-Med will be held at 4th Floor, Hutchison House, 5 Hester Road, Battersea, London on Friday, 10 May 2013 at 10:00 a.m.

Ends

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About Chi-Med

Chi-Med is the holding company of a healthcare group based primarily in China and was listed on the Alternative Investment Market of the London Stock Exchange in May 2006. It is focused on researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products.

Chi-Med is majority owned by Hutchison Whampoa Limited, an international company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Results are reported in US dollar currency unless stated otherwise.

CHAIRMAN'S STATEMENT

I am delighted to report another year of considerable progress. With each year, the potential of Chi-Med becomes clearer, and the business strengthens its platform for future growth and takes steps forward in building a major, China-based pharmaceutical and health related products group, with strong potential in global markets.

The highlight of 2012 was the 50/50 joint venture with Nestlé Health Science we announced in November 2012, which will take our lead drug candidate for the treatment of ulcerative colitis and Crohn's disease, HMPL-004, into global Phase III trials early this year, and will actively research and develop a pipeline of innovative gastrointestinal medicine products. Taken together with our deal with AstraZeneca, in late December 2011, for the development of Volitinib (HMPL-504), a novel targeted treatment for cancer, these deals demonstrate how we can fund our broader discovery programme and pipeline of both internal and partnered clinical drug candidates with development cost sharing, milestone payments and, ultimately, royalty streams. We look forward to further news on pharmaceutical partnerships during 2013.

Alongside this, our China Healthcare business continues to grow quickly with overall sales up 29% driven by its prescription drug and OTC drug distribution business. The sales growth of its own brand products, which have powerful positions in their market, was 15% but net profit growth was slightly muted at 11% due to sharp increases in raw material costs between 2009 and 2011, but these costs are now normalising, and we look therefore to a resulting expansion in the rate of sales and profit growth. In addition, our share of value of the important land holdings of the China Healthcare Division will be clarified during 2013 by the result of the likely land auction of part of these holdings.

In our Consumer Products Division, we have undertaken a restructuring to scale down loss-making operations and focus on the segments of this business with clear growth potential. We will see the benefits of this in 2013.

For 2012, Chi-Med and its subsidiaries (the "Group") showed continued solid revenue growth from continuing operations of 18% and a healthy financial position with cash and cash equivalents and unutilised bank facilities of $85.9 million and net cash of $23.9 million. Our net profit attributable to Chi-Med equity holders of $3.6 million includes $7.2 million at the operating level of non-recurring restructuring costs in our Consumer Products Division, along with an $11.5 million dilution gain from our joint venture transaction with Nestlé Health Science. This transaction also led to the elimination of $18.5 million of HMPL-004 capitalised development costs.

The scale and potential of China's economy remains a key strength. We read reports of the China economy slowing in its growth rate, but this is not true of the pharmaceutical sector. On the one hand, the growth of China's national healthcare plan, together with the growth of personal incomes, fuels demand for pharmaceutical products, both prescription and OTC. On the other hand, China is increasingly becoming recognised as an emerging centre of pharmaceutical drug research and development. Our Drug R&D Division is recognised to be one of the leaders in this field, continuing also to benefit from the

inherently lower cost operating base in China and massive patient populations as opposed to Western economies.

We also continue to benefit from our deep understanding of the China market and the long-standing benefits of the scale and experience of Hutchison Whampoa Limited ("Hutchison Whampoa") in this market, which adds synergies to the increasing economies of scale of our business.

China Healthcare Division

Our China Healthcare Division is now a well-established, stable and diversified China pharmaceuticals operation with robust growth prospects. It competes in the domestic pharmaceutical market that has grown 20% per year since 2005 behind reforms that have driven government healthcare spending to increase over six-fold from approximately $14.1 billion in 2005 to approximately $89.5 billion in 2011. This translates directly into greater consumption of pharmaceuticals. Looking forward, this rapid growth is set to continue as China catches up with the developed world in terms of per capita healthcare spending since the US healthcare spending per capita was over forty-three times and Germany was twenty-seven times that of China in 2009. Furthermore, to augment government spending, the Chinese people, who place a high priority on the healthcare of their families, are turning to private healthcare with 12% of disposable income spent on healthcare and 28% of the hospitals in China in 2011 being privately run.

Our household name brands and core products compete in the two biggest and most prescribed therapeutic areas in China, cardiovascular and cold/flu. Our China Healthcare Division products are all traditional Chinese medicine ("TCM"), or botanical drugs, a sub-category of healthcare that represented approximately 43% of the entire prescription and OTC drug sales in China in 2011. TCM has, over the past ten years, grown faster than synthetic medicine in China, primarily due to its lower cost per dose, good efficacy/safety profiles, and cultural acceptance in China.

We have major scale in these operations which when compared to the domestic Chinese TCM market in terms of sales, placed us in the top 15 TCM producers in 2011. We manufacture and distribute several billion doses of medicines a year through our well-established Good Manufacturing Practice ("GMP") manufacturing base and our very sizable, over 2,000 people, sales team which covers all geographies and channels in the China prescription and OTC drug markets. Over the past couple of years, we have faced sharp increases in the costs of raw materials for some of our OTC drugs. We therefore increased prices and reduced marketing support to protect margins and as a result saw a decline in sales volume on some of our generic products. As we expected, the raw material costs have in most cases now fallen back, and we believe this will accelerate their rate of sales and profit growth in 2013/2014.

As reported, we are planning to move and considerably expand the manufacturing base of our joint ventures in Shanghai and Guangzhou. The existing sites, which we will be vacating over the coming years, have considerable value. In 2013, the value will likely be put to the test by the auction of the smallest of our three plots, a 30,000 square metre site in Guangzhou. We expect the gain from this transaction will be used to cover our relocation and expansion costs.

We believe that these macro trends combined with our competitive advantages and the above raw material and property impacts will translate into our China Healthcare Division providing an increasingly significant source of profit and cash flows for the Group.

Drug R&D Division

We have built Hutchison MediPharma Limited ("HMP") into one of China's leading end-to-end oncology and immunology drug R&D operations. Stability in its purpose and funding has enabled HMP to build and maintain a unique and highly productive discovery team, which has built a broad and diversified pipeline of new drugs which we believe have great potential, both in the fast growth China market and, in a number of cases, on a global level.

The drug discovery and development arena in China has made major advances in the past thirteen years since we began our effort. The China State Food and Drug Administration ("SFDA"), in the interests of the public health, has modernised the drug registration pathway so that now the average time from Investigational New Drug application ("IND") to New Drug Approval ("NDA") is 73 months and oncology is faster at 60 months – this is becoming comparable with the developed world. The biotech ecosystem in China has advanced also, driven by the massive trend by multi-national pharmaceutical companies to outsource discovery work to China – this has now made world-class drug R&D and innovation possible in China.

Our Drug R&D Division focus has been on creating truly innovative, first-in-class or best-in-class, drug candidates in therapeutic areas, oncology and immunology, with major China and global potential. Our leading drug candidate HMPL-004 which is about to start a global Phase III registration trial addresses major un-met medical needs in the $7.9 billion inflammatory bowel disease ("IBD") market (the United States, Japan, Germany, United Kingdom, France Italy, and Spain). Our five oncology drug candidates in clinical trials are aimed at tyrosine kinase inhibition, the fastest growing segment of the global oncology market, which is forecasted to reach $32.7 billion by 2016. Our innovation record is outstanding and puts us in the enviable position of now owning approximately 22% of all new small molecule tyrosine kinase inhibitors in development in China. Simple cross-reference to Morgan Stanley's recent China pharmaceuticals innovation pipeline Net Present Value ("NPV") analysis, explained in depth later in this report, puts the approximate risk-adjusted NPV of our five clinical stage oncology drug candidates in China at over $450 million. We believe that the clinical proof-of-concept data that these programmes will generate in 2013/2014 will validate this valuation.

Strategically, we have adopted a practical approach to funding the considerable costs of our clinical programmes. We partner with multi-national pharmaceutical companies on drugs with global appeal such as our Volitinib collaboration with AstraZeneca and our NSP joint venture with Nestlé Health Science – these deals will allow for partners to fund almost all clinical trial costs while allowing us to retain value through milestone payments and ultimately the royalty streams. We will continue to do more deals on our broader pipeline as it progresses, but ultimately we intend to bring our innovations to the market in China ourselves, and based on our commercial success in the China Healthcare Division, we are confident that we can build great value.

Consumer Products Division

Our Consumer Products Division enables Chi-Med to capture part of the growing consumer trend towards healthy living and to capitalise on the considerable consumer products synergies with the broader Hutchison Whampoa group. We have reviewed the structure of this division, and have cut the loss-making activities in Sen UK and are scaling down our Sen France and China infant formula businesses. We will focus on the future growth of our successful partnership with The Hain Celestial Group, Inc. ("Hain Celestial") and our access to the broad retail and distribution network of Hutchison Whampoa.

Cash and Finance

We have maintained a steady cash position. Overall, we ended 2012 with cash and cash equivalents of $62.0 million, unutilised bank loan facilities of $23.9 million, and a net cash position of $23.9 million.

Dividend

The Board has decided not to recommend a dividend for the year ended 31 December 2012. We continue to believe we can create greater shareholder value by investing in the growth opportunities we see in China.

Future Change to IFRS Accounting Rule

In 2012, I reported that The International Accounting Standards Board ("IASB") had published a new standard on the accounting treatments for JCEs, IFRS 11 "Joint Arrangements" ("IFRS 11"). This came into effect on 1 January 2013 and

means that income statements and statements of financial position of JCEs will no longer be consolidated on a proportional basis. For Chi-Med, the effect is that in future the 50/50 Shanghai Hutchison Pharmaceuticals Limited ("SHPL") and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") joint ventures within our China Healthcare Division will be treated as equity investments in Chi-Med's consolidated accounts. The most noticeable impact will be how we report revenues, as revenues from SHPL and HBYS will no longer be proportionally consolidated. If 2012 results were reported under this new standard, Chi-Med Group revenue from continuing operations would be $22.2 million versus the $195.4 million reported under the old proportionally consolidated standard. The new standard will however not affect either the way we operate SHPL and HBYS, the synergies the Group gains from these operations, or most importantly the considerable net profit attributable to Chi-Med shareholders from these JCEs.

The Board

The Chi-Med Board (the "Board") continues to exercise good corporate governance and our Independent Non-executive Directors bring a wealth of expertise and experience. They have made, and continue to make a valuable contribution to the evolution of Chi-Med. I very much appreciate their involvement and I thank them all for their efforts.

Employees

All that Chi-Med has achieved and will achieve is due to the dedication and expertise of its employees and, on behalf of the Board, I thank all of them. Chi-Med's potential is considerable, and we shall continue to work hard to realise this.

Simon To

Chairman, 25 March 2013

CHIEF EXECUTIVE OFFICER'S STATEMENT

Group Results

Chi-Med again delivered solid revenue growth, with 2012 consolidated Group revenue on continuing operations up 18% to $195.4 million (2011: $165.0m). This reflected continued organic growth in our China Healthcare Division, with proportionally consolidated sales up 28% to $178.0 million (2011: $139.2m). This was partially offset by a drop in revenue in our Drug R&D Division to $7.4 million – 2011 having benefited from a greater proportion of the up-front licensing income from the AstraZeneca deal in respect of Volitinib – and a drop in the Consumer Products Division sales on continuing operations to $10.0 million (2011: $11.1m) from scaling down the Sen France and China infant formula projects.

The Group recorded a full year operating profit of $8.9 million (2011: $5.4m), reflecting the above points as well as $7.2 million restructuring costs associated with the discontinuation of the Sen UK operation ($3.2m) and the scaling down of Sen France ($0.7m) and the China infant formula project ($3.3m). Also reflected in the 2012 Group results is the impact of establishing the NSP joint venture with Nestlé Health Science. These impacts include a one-time dilution gain of $11.5 million and elimination of $18.5 million HMPL-004 capitalised development costs associated with the NSP joint venture.

Group net overhead costs increased to $6.0 million (2011: $5.8m) reflecting an increase of $0.3 million driven by staff costs but offset in part by reduced costs associated with the employee share option schemes of Chi-Med.

Finance costs were $1.2 million (2011: $0.6m) primarily reflecting the continued borrowing at Hutchison Healthcare Limited ("HHL") in the China Healthcare Division, and interest on a partial draw-down of the credit facility of Chi-Med.

Losses attributable to minority interests were $0.1 million (2011: profit of $1.0m) as the share of scale down costs carried by Hain Celestial on the China infant formula project offset the profits attributable to HBYS minority interests.

Chi-Med's tax charge was $4.2 million (2011: $3.1m) reflecting the growth in profitability of the China Healthcare Division, which continues to benefit from the low enterprise income tax rates of 15% on both HBYS and SHPL resulting from their High and New Technology Enterprise status. In addition to enterprise income tax in China, we pay 5% withholding tax on dividends remitted outside China – the accrual for which totalled $1.0 million (2011: $0.7m).

In total, the Group recorded a net profit attributable to Chi-Med equity holders of $3.6 million compared to a net profit of $0.7 million in 2011, and profit per share of 7.0 US cents in 2012 compared to a 1.4 US cent profit in 2011.

The Group continues to maintain a stable financial position. As at 31 December 2012, net assets were $83.6 million, including cash and cash equivalents totalling $62.0 million (31 December 2011: $53.8m). In aggregate, total bank borrowing was $38.1 million (31 December 2011: $30.0m) giving the Group a net cash position of $23.9 million (31 December 2011: $23.7m) and a debt to equity ratio of 54.0% (31 December 2011: 46.4%). Cash available to the Group, including cash and cash equivalents on hand and unutilised bank loan facilities, totalled $85.9 million (31 December 2011: $85.7m).

The growth of China's pharmaceutical industry has generated increasing interest from most global players in the industry. This is evidenced by the extensive research and analysis that is now available from major investment banks including ones from Citigroup, Barclays Capital and Morgan Stanley, which we have referred to in order to help illustrate the market in which both the China Healthcare and Drug R&D Divisions operate.

Overview of Operations

China Healthcare Division

The China Healthcare Division is an established, stable, and diversified China pharmaceuticals operation. Aside from the rapid expansion and evolution of the broader pharmaceutical industry in China and our key competitive advantages as laid out below, we believe that our China Healthcare Division will be positively affected in the near-term by the reduction in key raw material prices, and realisation of significant property assets. In total, we believe, these factors will combine to translate into an increasingly material source of profit and cash for the Group.

Financial Performance: Sales of Chi-Med's subsidiaries and JCEs of the China Healthcare Division grew 29% to $350.5 million in 2012 (2011: $271.0m) driven by solid 15% organic sales growth in our own brand prescription and OTC drug products and significant new business growth from HBYS' Good Supply Practice ("GSP") OTC drug distribution subsidiary. Consolidated net profit attributable to Chi-Med equity holders from the Division increased 11% to $15.5 million (2011: $14.0m).

Operating Entities and Scope: We operate three companies under the China Healthcare Division, a prescription drug company, SHPL, which is a 50/50 joint venture with a wholly-owned subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd. (SHA: 601607) ("SPG"); an OTC drug business, HBYS, which is a 50/50 joint venture with Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (SHE: 000522) ("GBP"); and a wholly-owned nutritional supplements company, HHL. We employ over 3,000 full-time staff in two large-scale factories in Shanghai and Guangzhou, and in sales, marketing, and distribution operations across China. This level of scale when compared to the domestic Chinese TCM market, placed us in the top 15 TCM producers in 2011 in terms of sales, albeit in a highly fragmented industry in which the top 15 local China-based TCM producers accounted for only 12.4% of total industry sales in 2011.

The Division manufactures and sells two household name brands in the pharmaceutical industry in China, the OTC brand Bai Yun Shan (meaning "White Cloud Mountain", a famous scenic area in Guangzhou) and the Shang Yao brand (literally meaning "Shanghai Pharmaceuticals"). Our products have extensive representation on the current Medicines Catalogue for the National Basic Medical Insurance, Labour Injury Insurance and Childbirth Insurance Systems ("NMC") as well as the current National Essential Medicines List ("Essential Medicines List") that mandates distribution of drugs in China. We focus mainly on products and brands that have leadership market shares in the Chinese cardiovascular and cold/flu drug markets. Our product portfolio is well diversified. We own product licenses for over 200 drugs and registered health supplements in China, with over 80% of our China Healthcare Division's sales in 2012 coming from nine core products – six of them are OTC drugs, two prescription drugs, and one nutritional supplement.

China Pharmaceutical Market Dynamics: There have been two main drivers behind the compound annual growth rate of approximately 20% in the China pharmaceutical industry between 2005 and 2011. The primary driver has been the GDP growth in China which grew at an average rate of 11% per year during that period, however pharmaceuticals have grown faster due to healthcare reforms. Healthcare reforms have in our view been an important pillar of the Chinese Government's economic and societal development strategy. Most notably, these healthcare reforms, through the expansion of enrolment in State sponsored medical insurance schemes, have increased medical insurance fund expenditure from approximately $14.1 billion in 2005 to approximately $89.5 billion in 2011, a compound average growth rate of 36%, that is correlated with pharmaceutical cost reimbursement and sales growth.

Looking ahead, the room for continued growth of the pharmaceutical industry is significant. Total healthcare spending in China in 2009 remained low at 4.6% of GDP as compared with 16.2% in the US and 11.4% in Germany. The Ministry of Health's healthcare blueprint "Healthy 2020" targets for healthcare spending as a percent of GDP to grow to 6.5%-7.0% by 2020. Importantly, in absolute terms, healthcare spending in China lags developed economies by a large margin. Latest data shows that the US spends forty-three times and Germany twenty-seven times more than China on a per capita basis.

Healthcare coverage for the approximately 473 million people enrolled in the Medical insurance scheme for urban employees and residents is reasonably comprehensive at an estimated average expenditure of about $169 per capita in 2011. The almost 640 million people covered by the rural cooperative medical scheme receive less coverage with only an average of about $44 per capita of expenditure on medical benefits. This imbalance between urban and rural coverage is gradually being addressed by the Chinese government through accelerated growth in funding of the rural scheme.

In addition to these state/employer sponsored healthcare insurance schemes, the private healthcare system is growing rapidly in China. In 2011 approximately 28% of all hospitals (6,137) were privately run and average out of pocket spending on healthcare reached approximately $97 per capita. A total of approximately 12% of household disposable income in China was spent on healthcare in 2011, indicating that healthcare is a very high priority to Chinese families. We believe that with the continued development of China, increasing urban migration and employment combined with the expansion of the private health system to augment government schemes, that growth in the China pharmaceutical industry will continue to outpace growth of the overall Chinese economy over the coming years.

TCM Market Sub-sector: TCM represents approximately 46% of the drugs listed in the National Drug Reimbursement Catalogue in 2010 and approximately 43% of the $158 billion prescription and OTC drug sales in China in 2011. TCM remains a stable and growing industry in China and is heavily supported by the Chinese Government because of its proven efficacy and generally lower cost. TCM is considered a highly efficient form of mainstream healthcare particularly in lower income areas and rural China – this has led to compound annual growth in TCM drug sales of 23.1% between 2002 and 2011 as compared to 21.3% for chemical drugs. Government support for TCM manifests itself in many areas, possibly the most important being TCM's higher cap on hospital mark-ups of 25% as compared to only 15% on chemical/biologic drugs – thereby making it a more profitable category for hospitals and leading to heavier focus.

Our China Healthcare Division TCM business is focused on cardiovascular and cold/flu, the two leading common diseases diagnosed/treated and two of the top three fastest growing disease categories in rural markets. We have strong market shares in these two therapeutic areas, with She Xiang Bao Xin pill ("SXBXP") and Fu Fang Dan Shen ("FFDS") tablets in cardiovascular and Banlangen in cold/flu.

Chi-Med's competitive advantage: Our China Healthcare Division has several key competitive advantages namely: 1) our focus on the fast growth TCM sub-sector; 2) our involvement in two of the biggest and most widely distributed TCM therapeutic areas, cardiovascular and cold/flu; 3) leading market shares and both commercial and manufacturing scale in key sub-segments of theses therapeutic areas; and 4) our commercial know-how and well established track record.

Prescription Drugs – SHPL

SHPL grew prescription drug sales 26% to $116.5 million in 2012 (2011: $92.4m) all of which was from existing products. Since 2005, its compound annual sales growth has averaged 26%. This high level of organic growth has been sustained in recent years due primarily to the effective expansion of our commercial network across China and the strong position of our main drugs on both the Essential Medicines List and the NMC.

SHPL holds a portfolio of 73 registered drug licenses in China. At the end of 2012, a total of 32 SHPL products (2011: 34) were included in the NMC with 17 designated as Type-A and 15 as Type-B and that 99.5% of all SHPL sales in 2012 could be reimbursed under the National Basic Medical Insurance, Labour Injury Insurance and Childbirth Insurance Systems ("National Insurance Systems"). In addition, a total of 14 SHPL drugs, of which 3 are in active production, were included on the Essential Medicines List with one of these drugs being SXBXP, SHPL's proprietary cardiovascular prescription drug.

The cardiovascular drug market is the largest therapeutic class in China with a 13.1% share of the entire pharmaceutical market in 2011. The market has grown at 19% compounded annually from 2008 to 2011, with over 80% of responders to a recent Citigroup rural hospital survey stating that cardiovascular is the fastest growing disease category in rural China. The development of the cardiovascular market is directly related to the average age of the population which is set to continue to increase in line with the trend in China of people living longer lives. In 2011, 12% of the total Chinese population were over 65 years old as compared to 7% in 2000, and just 4% in 1964.

Sales of SXBXP grew 29% to $102.2 million (2011: $79.4m) again making it the China Healthcare Division's single largest product. SHPL is the only manufacturer of SXBXP in China, and the intellectual property of the drug remains well protected. SXBXP is included in the Essential Medicines List and holds Type-A NMC drug status, which means it is fully reimbursed in all provinces under the NMC. The "Confidential State Secret Technology" status protection on SXBXP, as certified by China's Ministry of Science and Technology and State Secrecy Bureau has been extended by seven years until late 2016. In addition, SHPL has in the past five years redoubled efforts to patent SXBXP for the long-term and one 20-year patent and three 10-year patents have been awarded and five remain under review.

SHPL has continued to make solid progress in expanding beyond its eastern China base where it held leadership market share of approximately 37% among the main TCM cardiovascular prescription drugs in Shanghai in 2012. Geographical expansion has been helped by the gradual roll-out of the Essential Medicines List. In 2012, SHPL's sales in its long established and mature east China markets of Shanghai, Jiangsu and Zhejiang provinces grew 19% to $56.2 million (2011: $47.2m) while at the same time, its sales outside east China again surged 33% to $60.3 million (2011: $45.3m). Sales outside east China represented 52% of SHPL's total sales in 2012, compared to 49% in 2011, indicating continued broadening of our national presence as well as significant further geographical expansion potential. SHPL also continued to build its second ranked product, Dan Ning tablet (gallbladder/inflammation) with sales growth of 17% to $11.6 million (2011: $9.9m). Dan Ning tablet is a unique Type-B NMC drug with patent protection lasting until 2027.

As well as its strong portfolio of reimbursed prescription drugs and its trusted Shang Yao brand, SHPL's main strength remains its powerful, regimented, and scalable commercial team. At the end of 2012, SHPL had over 1,500 medical sales representatives and marketing staff (2011: approx. 1,300), managing distribution and sales of SXBXP in over 10,000 hospitals (2011: approx. 9,600) in China. This still only covers some 43% of over 23,000 hospitals in China in 2012, indicating that substantial remaining channel expansion potential exists.

OTC Drugs – HBYS

OTC drug sales in HBYS increased 34% in 2012 to $228.7 million (2011: $171.3m), which was a combination of 8% growth to $178.2 million in sales of HBYS' own brand OTC products (2011: $160.0m) and 351% growth to $50.5 million in sales of third party products through HBYS' GSP distribution subsidiary (2011: $11.2m).

HBYS holds a portfolio of 147 registered drug licenses in China. By the end of 2012, a total of 62 HBYS products (2011: 62) were included in the China NMC with 28 designated as Type-A and 34 as Type-B and that 87% of all HBYS sales in 2012 could be reimbursed under the National Insurance Systems. In addition, a total of 24 HBYS drugs, of which 7 are in active production, were included on the Essential Medicines List.

In 2012, HBYS' six main products accounted for 71.0% of HBYS sales (2011: 85.5%) indicating a move towards product diversification through both the growth of the broader HBYS line as well as expansion of our GSP distribution activities. These products are Banlangen granules, an anti-viral treatment; FFDS tablets, principally for angina; Kou Yan Qing granules for periodontitis; Xiao Yan Li Dan tablets for liver/gallbladder; Chuan Xin Lian tablets for inflammation; and Nao Xin Qing tablets for coronary diseases and cerebral arteriosclerosis.

The disease categories in which our two main OTC products compete are cardiovascular (FFDS) and cold/flu (Banlangen). The cardiovascular category has been reviewed above in the context of SHPL's SXBXP and the growth potential also applies to FFDS tablets. With regards to the second key category in which HBYS competes, cold/flu, it is also a very relevant category in China. According to a recent Citigroup rural hospital survey, over 80% of responders identified cold/flu as the most common disease diagnosed/treated in rural areas and cold/flu also rated as the third fastest growing disease category. With enrolment in the rural cooperative medical scheme now at over 90% of the rural population in China, more people are visiting hospitals than before, with approximately 6.3 billion outpatient visits made in 2011 as compared to about 4.0 billion in 2004. We expect these trends to lead to substantial growth in the cold/flu drug market in China and given HBYS' leadership market share in the generic Banlangen subcategory, a subcategory that represented about 7% of the entire cold/flu market in China in 2010, we believe the outlook for HBYS growth is positive.

Sales of Banlangen, HBYS' market leading generic anti-viral, grew 14% in 2012 to $65.4 million (2011: $57.2m), a solid return to growth after normalisation of raw material pricing, which had increased sharply in 2009 and 2010. These raw material prices increased due to both negative climatic events (drought/floods) and increased consumption around the 2009 H1N1 outbreak and forced us to materially raise ex-factory prices to protect margins. This led to some volume softness in late 2010 and early 2011. As predicted however, the relatively short six-month planting-to-harvest cycle for Banlangen led to an increase in the supply of Banlangen raw materials during 2011, and a collapse in the raw material price which is now not materially higher than it was in 2009.

FFDS tablet, HBYS' OTC treatment for angina, sales grew 6% in 2012 to $60.2 million (2011: $57.0m). During early 2010 HBYS implemented major price increases on FFDS of 24%, a further 24% in 2011 and 4% in 2012 which led to some softness in volume. These ex-factory price increases were driven by dramatic increases in the prices for the raw materials used in FFDS during 2009 and 2010. Raw material price increases were caused, we believe, more due to speculation triggered by drought-driven supply constraints as several companies in China stockpiled the raw materials in order to profit by selling to manufacturers at higher prices. According to an article in the National Business Daily, the supply of Sanqi, the key herb in FFDS which takes three years to grow, averaged approximately 4,500, 4,900, 4,700 tons per year in 2009, 2010

and 2011 respectively compared to an estimated current demand of about 7,000 tons per year which led to an over five-fold increase in the market price of Sanqi from 2009 to the end of 2012. The harvest in 2012 was about 6,500 tons and based on actual plantation areas, assuming no adverse climatic effects, the harvest in 2013 (which starts to come to market in spring) and 2014 will be no less than 10,000 and 20,000 tons respectively. This we believe will drive raw material prices down dramatically and allow FFDS to return to normal growth – this trend being consistent with the broader market in which overall TCM industry gross margins bottomed out in the third quarter of 2011 and since have been on the rise. HBYS remained one of the market leaders in the China generic FFDS market in 2011.

In 2011, HBYS invested approximately $3.2 million for a 60% equity interest in a GSP China drug distribution company named Nanyang Baiyunshan Hutchison Whampoa Guanbao Pharmaceutical Company Limited ("NBHG"). Our strategy for NBHG is to use it as a vehicle to sell complementary third party products in China through the HBYS sales organisation. This has allowed HBYS to generate synergies from its OTC sales team and distributor network in China. During late 2011, NBHG entered into two strategic product distribution agreements with affiliates of GBP thereby materially broadening the range of OTC products it sells. While contributing a lower margin than our core HBYS own brand manufacturing business, NBHG has grown quickly with 2012 sales of third party products of $50.5 million (2011: $11.2m) and represents an important OTC distribution and marketing platform in China.

Nutritional Supplements – HHL

In 2012, the sales of our wholly-owned subsidiary HHL declined 28% to $5.3 million (2011: $7.3m) as a result of tightening of working capital – key distributor inventories were reduced by $3.1 million during the year. We concluded in 2011, that while HHL represents a good platform for future activity in the nutritional supplements field in China, we should not chase growth by tying up cash in working capital. Chi-Med as a group has more important priorities for its cash and consequently we have migrated HHL, which is profitable, to a less cash intensive smaller-scale operation for the moment. This could change as we move forward if we are able to secure further unique, genuinely science-based, nutritional supplement products through partnerships to launch into the China market.

All HHL's sales were accounted for by its Zhi Ling Tong ("ZLT") infant and pregnant mother supplements brand, which we have successfully developed in partnership with our exclusive distributor into an effective hospital and mother/baby store distribution model across China. Pregnancy supplementation is an important market in China, due in part to China's one-child policy and the importance a mother and her family places on her single pregnancy. HHL currently sells three ZLT licensed health supplement products: ZLT DHA capsules, the omega-3 product for use by pregnant and lactating women to promote brain and retinal development in babies; ZLT calcium powder for bone growth; and ZLT probiotic powder for toddler immunity.

Property Update on SHPL/HBYS Production Expansion:

As reported in 2011 and 2012, driven by the rapid growth of our China Healthcare Division over the past seven years, combined with the implementation of new GMP standards by SFDA for pharmaceuticals in China, we are actively working on the relocation, expansion, and new GMP certification of both the SHPL and HBYS manufacturing sites over the next five years.

HBYS Property Update: The factory in HBYS currently occupies two pieces of land totaling 89,000 square metres with the main HBYS factory on a 59,000 square metre plot ("Plot 1") and a disused printing facility on the second 30,000 square metre plot ("Plot 2"). Our strategy is to transact and develop the disused Plot 2 immediately followed by the phased relocation of the HBYS factory from Plot 1 over the next five years.

Plot 2 plan: Plot 2 was rezoned as a residential development area in 2012. Pursuant to the redevelopment policy for old towns, old villages and old factories of the Guangdong Province ("Redevelopment Policy"), Plot 2 will be collected into the land bank of the Guangzhou Municipal Government and then sold to land developers by auction, 60% of the auction

proceeds will be paid to HBYS, the land owner, as compensation ("Total Compensation"). As the Total Compensation is dependent on the auction price and the area available for auction, it is critical for HBYS to monitor closely the development design/type and plot ratio of Plot 2 before the start of the auction process. The preliminary designs for Plot 2's residential redevelopment utilising a plot ratio of 2.2 have been submitted to Guangzhou Municipal Government for final review and approval. Upon approval, this would indicate a residential floor area of approximately 60,000 square metres as the actual final residential floor area available for auction will be slightly reduced given that certain space will need to be taken up to build roads and pathways within Plot 2. In parallel to the Guangzhou Municipal Government review, HBYS has engaged with multiple property developers to lay out framework agreements on how HBYS would work with them to maximize return. We understand that before the auction, Plot 2 will be injected into the Guangzhou city land bank and HBYS will then receive from the Guangzhou Municipal Government an initial compensation equal to 60% of the product of the residential floor area of Plot 2 and the base land price of approximately $700/square metre of residential floor area as pre-determined by the Guangzhou Municipal Government. After the auction, HBYS will receive the balance of the Total Compensation. Based on comparable precedent land auctions in Baiyun District, Guangzhou city, in 2012, the average auction price of similar land was approximately $1,400/square metre of residential floor area.

Plot 1 plan: The plans to relocate and expand the main HBYS factory are divided into three main phases. Phase one will be the establishment of a large scale HBYS extraction facility in Bozhou, Anhui province which will provide all extraction support, and some formulation capacity, for HBYS. This Anhui facility will also provide extraction services to the broader Guangzhou Pharmaceutical Holdings Group, the ultimate parent of GBP and one of China's largest pharmaceutical groups. The reason for relocation of extraction to Anhui is two-fold; firstly, Anhui province is in central China close to the majority of relevant herb growing and wholesaling operations – leading to major cost savings on raw material logistics; and second, Anhui is a low cost province where labour, land, and construction are cost efficient compared to Guangdong. Phase two will involve the GMP certification renewal of the existing main HBYS factory on Plot 1 before the end of 2015. This will enable production to continue in the existing main HBYS factory unimpeded for as long as we require. Phase three will be the relocation of the main HBYS factory to Zhong Luo Tan District, an area approximately 40 kilometers north of Guangzhou – the process of this move can be managed systematically over the coming five years. Once relocation to the new facilities in Bozhou and Zhong Luo Tan are complete, it will be possible for HBYS to redevelop Plot 1 under the Redevelopment Policy.

SHPL Property Update: The re-location of the SHPL factory (currently in Pu Tuo District) to a new facility in Feng Pu District, an area approximately 40 kilometers south west of Shanghai city is underway. Approximately 78,000 square metres of land has been purchased and material local government incentives have been secured, final designs of the new factory are currently under final review by the local Feng Pu District Government and construction is expected to commence this year. Negotiations continue with both Pu Tuo District and multiple property developers on timing of relocation from SHPL's existing approximately 58,000 square metre site as well as details on the compensation and/or development carried interest that will be payable to SHPL, the land owner.

IFRS Rule Change

In May 2011, after several years of consultation, IASB published IFRS 11, which establishes new principles for the financial reporting by parties to a joint arrangement. The primary accounting change under IFRS 11 will be that from 1 January 2013, the income statement and statement of financial position of a JCE will no longer be consolidated on a proportional basis and both SHPL and HBYS will be treated as equity investments in Chi-Med's consolidated Group accounts. This will affect neither the way we operate SHPL and HBYS, the synergies the Group gains from these operations or the net profit attributable to Chi-Med shareholders from these JCEs, but it will affect the way we prepare our accounts. The most obvious impact will be how we report revenues, as revenues from SHPL and HBYS will no longer be proportionally consolidated. If 2012 results were reported under this new standard, Chi-Med Group revenue from continuing operations would be $22.2 million versus the $195.4 million reported under the old standard. Note 2 of these annual accounts lays out in detail the estimated effect on the 2012 consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows of the new standard.

The China Healthcare Division has two JCEs, SHPL and HBYS. For SHPL, Chi-Med and our partner, SPG, each assign three directors to a six-person board, and Chi-Med holds the unilateral right to nominate the general manager. For HBYS, the offshore 80% Chi-Med controlled holding company of the HBYS shares and our partner, GBP, assign three directors to a six-person board and each party holds the right to nominate the general manager for a four year term on a rotating basis.

Through our rights to nominate the general manager, we effectively control day-to-day operations of both JCEs, an important threshold of control but such control which, we believe, is not being recognised under IFRS 11. While we fully intend to comply with IFRS 11, henceforth we will discuss the results of the China Healthcare Division in the manner used in this announcement: 1) total sales of subsidiaries and JCEs; and 2) consolidated net profit attributable to Chi-Med equity holders.

Drug R&D Division

Our Operation: Since its beginning in 2001 we have invested approximately $145 million in establishing what we believe is now China's leading end-to-end oncology and immunology drug R&D operation, Hutchison MediPharma Holdings Limited ("HMHL"). We are creating highly innovative therapies for launch in the fast growth China market and the global market.

This business is likely to be Chi-Med's greatest driver of transformational value creation. Substantial progress has been made in the past eighteen months with breakthrough partnerships with both AstraZeneca (LSE: AZN) in oncology and Nestlé SA (SIX:NESN) ("Nestlé") in the gastrointestinal botanical drug space which have served to validate our strategy and pipeline and demonstrate how we can fund our discovery and clinical trial programmes, through up-front and milestone payments and ultimately royalty streams. We have secured considerable cash to progress the Volitinib (HMPL-504) and HMPL-004 clinical programmes on a global basis while retaining a major part of the up-side on these two very high potential projects. Our collaboration with J&J (NYSE: JNJ) is also something we are very proud of and the three years of effort of our respective teams is now approaching a decision point on our joint discoveries.

As well as these collaborations, we are making rapid progress in our internal drug development programmes. Fruquintinib (HMPL-013) is showing superb clinical response and as a result we believe it is a serious candidate for licensing. Epitinib (HMPL-813) and Theliatinib (HMPL-309) are progressing rapidly in the clinic in China and will, in the next six to nine months, prove if they indeed are differentiated and/or superior to the EGFR therapies that are on the global market today. We believe that proof of this differentiation and/or superiority on Epitinib and/or Theliatinib will lead to global licensing activity and step-change value creation for the Group.

Market Dynamics: During the past ten to fifteen years the China biotech industry has grown from almost nothing to an ecosystem that is catching up to the US and Europe in certain aspects. This biotech ecosystem has made world-class drug R&D and innovation possible in China. For their part the SFDA has made major strides in formalising, communicating, and expediting the new drug registration process in order to meet the public health need. Since 2001, for example, the average time from submission of an IND through to approval of a NDA is 73 months, with oncology being the fastest at an average 60 months for the 14 oncology NDA approvals. It should be noted, to help guide when HMP's products might start to reach market in China, that our five oncology INDs were submitted approximately 46 months ago (Sulfatinib); 43 months ago (Fruquintinib); 35 months ago (Epitinib); 30 months ago (Theliatinib); and 15 months ago (Volitinib).

Beyond the SFDA's positive actions, a vibrant infrastructure of contract research organisations ("CROs") has evolved, driven primarily by the trend over the past ten years for global outsourcing of discovery work to China. Global pharmaceutical companies allocated an estimated $1 billion to discovery chemistry outsourcing in China alone in 2012, not to mention the spending in other CRO areas such as biological screening and pharmacological testing, toxicology, dosage formulation and stability, and clinical studies. These reliable, global standard CRO services have allowed HMP research to focus on what it does best, innovation in drug discovery, while outsourcing non-strategic activities such as Good Laboratory

Practice toxicology and clinical supply manufacture.

2012 Drug R&D Division Financial Performance: HMP revenues were $7.4 million in 2012 (2011: $14.8m) reflecting continued payments from discovery collaborations with J&J and income from the global licensing deal with AstraZeneca. This was lower than last year, which benefited from $10.8 million of the $20.0 million AstraZeneca upfront payment being allocated to 2011 versus $4.6 million to 2012 (and a further $4.6 million to 2013). Net profit attributable to Chi-Med equity holders rose to $2.8 million (2011: net loss $3.7m).

2012 Primary Drug R&D Division Transactions: These results include the financial impact of the establishment of our joint venture with Nestlé Health Science, NSP, which was announced in November 2012. This has created an $11.5 million dilution gain in our consolidated income statement and the elimination of $18.5 million of capitalised development costs for HMPL-004 from our consolidated statement of financial position. The transaction is subject to regulatory approvals, filings for which were triggered because of the size of both ultimate parents to the deal, Nestlé (market capitalisation $230 billion) and Hutchison Whampoa (market capitalisation $44 billion). Regulatory approvals are procedural in nature given that neither Nestlé nor Hutchison Whampoa has any market share in the IBD prescription drug market in any country in the world. While adhering to all regulatory requirements, the HMPL-004 Phase III programme is progressing at full speed with the intention to recruit the first patient in early 2013.

The purpose of NSP is to research, develop, manufacture and market worldwide novel medicines and nutritional products derived from botanical plant origins. NSP will focus on gastrointestinal indications, and may in the future expand into the metabolic disease and brain health areas. HMP will provide its best-in-class botanical drug research and development capability, including exclusive rights in the field of gastrointestinal disease to its extensive botanical library and well-established botanical R&D platform, which will be the basis of NSP's future pipeline. Nestlé will bring unique competencies in nutritional sciences, diagnostics and commercial capabilities. NSP will also progress HMPL-004, a novel, oral therapy for IBD developed by HMP and derived from a botanical extract, through Phase III registration trials for ulcerative colitis and Crohn's disease.

In 2012 Chi-Med was approached by SBCVC Fund III Company Limited, the holder of a 7.5% share in HMHL, with a request to sell their shares back to Chi-Med. A transaction was concluded in October 2012 for Chi-Med to purchase SBCVC's approximate 2.8 million shares at about $2.3 per share, a 15% discount versus the price they paid in December 2010. This buy-back leaves Chi-Med as the 87.8% majority shareholder in HMHL with Mitsui & Co., Ltd. ("Mitsui") as the sole minority shareholder with 12.2%. A further related matter is that upon completion of the NSP joint venture, which meets Mitsui's adjustment event criteria, Mitsui's original investment in HMHL of $12.5 million will be converted from a long-term liability (its pre-NSP joint venture accounting treatment) to equity in HMHL and the Mitsui shareholding will remain 12.2%.

HMP Research and Development Strategy

Our HMP organisation is set up to support and fund research and development of our drug candidates against targets, generally proteins or enzymes, associated with the pathogenesis of cancer or inflammation. We employ a diversified portfolio approach focusing on three main categories:

Synthetic compounds against novel targets: We conduct research and development of small molecule cancer and immunology drugs against highly novel targets such as c-Met, PI3K-mTOR, Syk and FGFR. These targets present global opportunities with first-in-class or best-in-class potential and are appealing to global pharmaceutical companies with the ability to invest in targets which have not yet been fully validated in human trials. Our approach in this area is to partner our products at earlier development phases in order to mitigate risk while accelerating drug development globally. In addition to Volitinib, HMP's three late-stage internal discovery programmes as well as the J&J collaboration compounds fit into this category.

Synthetic compounds against validated targets: Our second area of focus is the research and development of small molecule drugs against validated targets, such as Epidermal Growth Factor Receptor ("EGFR") and Vascular Endothelial Growth Factor Receptor ("VEGFR"), which already have had therapies approved and launched on the global market, but are only approved for limited applications in China. The rationale for this approach is two-fold: 1) rapid development of such products for launch in the fast growth China market, and 2) if differentiated/superior properties are identified on our drug candidates in China clinical trials we would license out and launch in global markets through partnership. HMP's EGFR inhibitors, Epitinib and Theliatinib, and VEGFR inhibitors Fruquintinib and Sulfatinib fit into this category.

Botanical Drugs against multiple targets: The third area of research and development focus is botanical drug development in accordance with the US Food and Drug Administration's ("FDA") publication of guidelines for botanical drugs products in 2004. Botanical product development provides a new source of innovation for the global pharmaceutical industry with its multiple active components often acting synergistically on multiple targets. This new FDA botanical drug products registration pathway was validated on 31 December 2012 when the FDA approved it first oral botanical prescription drug, Fulyzaq® (Crofelamer) from Salix Pharmaceuticals, Inc., a botanical drug for severe diarrhoea in HIV patients on anti-retroviral drugs. This approval, we believe, will lead to a move by multinational pharmaceutical companies to better understand the drug innovation potential in the botanical field. Already multinational pharmaceutical companies including GlaxoSmithKline and Sanofi have announced their intention to pursue this space. HMP is well positioned to be an attractive partner for multinationals interested in botanical drugs, as evidenced by the Nestlé deal.

Over the past ten years, HMP, through its presence in China and global development and regulatory activities, has built unrivalled expertise in the field of botanical drug development and has achieved clinical success with HMPL-004, our drug candidate for IBD. HMP's internal botanical component library, which contains over 1,500 purified natural products and over 50,000 extracts/fractions from over 1,200 different plants, also provides new substrates for small molecule drug discovery. Under the NSP joint venture agreement, HMP and NSP will exclusively work with Nestlé Health Science in both the development of HMPL-004 and botanical drug research and development in the field of gastrointestinal disease. Beyond the gastrointestinal disease category HMP may either work independently, or through future expansion of NSP's field of research, or with other third party partners.

Product Pipeline Progress

HMPL-004: A proprietary botanical drug for the treatment of IBD, namely ulcerative colitis and Crohn's disease. Subject to the conditions of NSP joint venture agreement, and as part of the broader gastrointestinal disease research and development collaboration, HMPL-004 is now in the process of being taken into final global Phase III registration trials.

Current Treatments for IBD: The current standard of care for IBD starts with 5-aminosalicyclic acids (5-ASAs) which can induce and maintain clinical response and remission in approximately 50% of IBD patients. For the 5-ASA non-responding patients with moderate-to-severe active diseases, various forms of corticosteroids and immune suppressors and anti-TNF (Tumour Necrosis Factor) agents such as biologics are prescribed. These agents, though effective, are associated with many side effects, sometimes serious, and are not often suitable for prolonged usage.

The market for IBD drug sales was approximately $7.9 billion in 2012 across the seven major markets (the United States, Japan, France, Germany, Italy, Spain and the United Kingdom) according to Datamonitor, with sales in the US alone expected to reach $6.8 billion by 2021. IBD is estimated to affect approximately 1.4 million people in the US today, about 1 in 200, according to the Crohn's and Colitis Foundation of America. Moreover, in those seven major markets total sales of 5-ASAs in 2012 were estimated at approximately $1.6 billion with Warner Chilcott (Asacol™) and Shire (Lialda™ and Pentasa™) accounting for approximately $0.8 billion and $0.7 billion respectively, mostly in the US. Sales of biologics for treatment of IBD in the seven major markets in 2012 were estimated at about $5.4 billion with J&J (Remicade™) and AbbVie

(Humira™) accounting for approximately $3.2 billion and $1.7 billion respectively.

Unmet needs in IBD: There remain clear unmet medical needs in the treatment of IBD, namely, the need for novel agents which can induce and maintain remission among 5-ASA non-responding or intolerant patients, and the need for safer agents without the side effects of corticosteroids and immune suppressors.

Pre-clinical and Clinical Performance of HMPL-004: Extensive preclinical studies indicate that HMPL-004 exhibits its anti-inflammatory effects through the inhibition of multiple cytokines (proteins), both systemically and locally, which are involved in causing digestive tract inflammation. HMPL-004's efficacy in induction of clinical response, remission, and mucosal healing, as well as a clean safety profile have been established in multiple clinical trials. In the aggregate, the data have demonstrated HMPL-004's high potential to address IBD's unmet medical needs.

HMPL-004 Next Steps: NSP expects to start a global Phase III ulcerative colitis induction and maintenance study shortly. The total HMPL-004 Phase III clinical study will enrol over 2,700 patients suffering from ulcerative colitis or Crohn's disease, primarily in the US and Europe. The cost of the HMPL-004 Phase III programme and all gastrointestinal disease research and development activities will be funded primarily by Nestlé Health Science through the initial capital investment in NSP and further milestone payments to NSP linked to the success of clinical and commercial activities.

Oncology Portfolio: HMP has a portfolio of five small molecule targeted cancer drugs all of which are in Phase I clinical trials. Our strategy over the past eight years has been to discover small molecule drugs which target both validated targets such as EGFR and VEGFR as well as more novel, clinically un-validated targets which have not yet received marketing approval, such as c-Met, PI3K-mTOR, Syk and FGFR. Four of our oncology drugs have received IND approval by the SFDA through the Green Channel expedited application process, highlighting their potential and relevance for the China market. The fifth drug, Volitinib, has been approved for Phase I trials in Australia and is under review in China.

Given the scale and growth in the China oncology market, there is a great deal of innovation and clinical activity underway by many companies in China. It was estimated that in 2011, over 2.8 million people were diagnosed with cancer in China and almost 2.0 million died, this compares to less than 0.6 million deaths due to cancer in the US during 2010. According to four National Health surveys in China, the prevalence rate of cancer has doubled since 1993 and the number of cancer patients grew approximately 57% compound annually between 2003 and 2008 . The anti-cancer drug market in China was approximately $1.5 billion in 2011 with targeted cancer therapies in particular, including small molecule tyrosine kinase inhibitors ("TKI") and monoclonal antibody drugs, being the fastest growth sub-segment with compound annual growth of 48% between 2006 and 2011. Sales of the respective top five small molecule TKI and monoclonal antibody targeted cancer therapies in China totaled approximately $440 million in 2011. HMP's focus is on this fast growth sub-segment of the China oncology market as well as the global market for small molecule targeted cancer therapies, which Visiongain forecasts will reach $32.7 billion by 2016.

Within the field of cancer, HMP has focused discovery and development pipeline activities against five of 2010's top seven causes of mortality from cancer, among the population aged between 30 and 70, in China including lung (521/452 new cases/deaths per 100,000), liver (401/371 new cases/deaths per 100,000), gastric/stomach (463/352 new cases/deaths per 100,000), colorectal (220/109 new cases/deaths per 100,000) and breast (169/44 new cases/deaths per 100,000).

As at late 2012 there were a total of 66 oncology drugs in development in China (i.e. between IND submission and NDA submission inclusive). Of these drug candidates in development in China, 23 are small molecule TKIs, or targeted therapies of which HMP owns five (22% of all relevant candidates). Of the 23 drug candidates in development, 12 are in clinical trials (Phase I through III) and HMP owns four (33% of all relevant candidates) Fruquintinib, Sulfatinib, Epitinib, and Theliatinib as well as one of the eleven (9% of all relevant candidates) Volitinib, under China IND review/approval.

The value of HMP's small molecule TKI cancer drug pipeline is of course difficult to quantify. However, the Morgan Stanley China Pharmaceuticals report "Pipeline NPV Analysis Uncovers Hidden Value" 30 January 2013, published risk-adjusted NPV analysis of nine of the above 23 small molecule TKIs in development in China. Their analysis of risk-adjusted NPV yielded averages of: (i) $53.0 million for the one candidate under IND submission (Simcere's Tofacitinib); (ii) $73.8 million for the four candidates that have received IND approval (Sinobiopharm's two VEGFR1-3/c-Kit/PDGFR inhibitors and Simcere's OSI-930 and c-Met/KDR compound); (iii) $92.0 million for the two candidates in Phase I trials (Hengrui's Pyrotinib and Simcere's Simotinib); (iv) $294.0 million for the one candidate in Phase II trials (Hengrui's Famitinib); and (v) $540.0 million for the one candidate in Phase III trials/under submission (Hengrui's Apatinib). In contrast, HMP has four oncology compounds in Phase I and one entering Phase II. A simple cross-reference to HMP's oncology pipeline in China to these risk-adjusted NPV estimates of competitive compounds at similar stage yields an aggregate NPV, for HMP's oncology pipeline, for the China market only, of over $450 million. Based on the information laid out below, HMP would in each case argue that its clinical-stage oncology drug candidates are differentiated and/or superior to those of its competitors in the field.

We believe that HMP owns one of the deepest, fastest moving and most relevant small molecule targeted cancer drug pipelines in China today, and that given the rapid growth of this segment, as well as the overall attractiveness of both the China and global oncology market, we are well positioned to increase shareholder value rapidly in the near term.

EGFR Inhibitors: EGFR is a protein that is a cell-surface receptor for Epidermal Growth Factor. Activation of EGFR can lead to a series of downstream signalling activities that activate tumour cell proliferation, migration, invasion, and the suppression of cell death. Tumour cell division can occur uncontrollably when EGFR-activating mutations occur. Treatment strategies for certain cancers relate to inhibiting EGFRs with small molecule TKIs. Once the tyrosine kinase is disabled, it cannot activate the EGFR pathway and cancer cell growth is suppressed, however, EGFR-mutations can become drug resistant through secondary mutation meaning that the field of EGFR inhibition is continuously evolving.

Since 2003, several EGFR inhibitors have been approved globally and in China and are used for the treatment of non-small cell lung cancer, particularly for patients with EGFR-activating mutations, who make up approximately 10-30% of non-small cell lung cancer patients. The approved EGFR inhibitors include both small molecule drugs such as Tarceva™ (Roche) and Iressa™ (AstraZeneca) with 2012 sales of approximately $1.4 billion and $0.6 billion respectively and monoclonal antibodies such as Erbitux™ (indicated for head and neck cancer and colorectal cancer) (Bristol-Myers Squibb and Merck KGaA) with 2012 sales of approximately $1.8 billion. The success of these drugs has validated EGFR inhibition as a new class of cancer therapy.

EGFR inhibitors are available on the market in China, with Tarceva™, Iressa™, and Erbitux™ achieving reasonable, albeit niche, commercial success with 2011 China sales of $51 million, $66 million, and $33 million respectively. These sales are despite the high global pricing that Chinese patients pay out-of-pocket for these products (e.g. Tarceva™ approximately $3,000 per month, Iressa™ approximately $2,600 per month and Erbitux™ approximately $13,700 per month). Furthermore, local Chinese companies have begun to enter the EGFR inhibitor market in China with me-too EGFR therapies and are performing very well because they are not constrained by having to charge global pricing, an issue that holds back multinationals in China as they have to price global drugs the same, or at least close to the same, in all countries in the world thereby pricing themselves out of the broad China market. The example of Zhejiang Beta Pharma's Icotinib (brand name: Conmana™), a small molecule EGFR inhibitor that showed non-inferiority to Gefitinib (Iressa™), was launched in China at an approximate 30% discount to Iressa™, and has seen sales grow to $16 million in the first eight months of launch in 2012. HMP's intent with our EGFR inhibitor programme is not to compete with Icotinib in China but to prove that our drug candidates are differentiated and/or superior versus Tarceva™ and Iressa™ and thereby can provide benefit/new indications currently unavailable in both the China and potentially global markets.

HMP has two EGFR inhibitors, Epitinib, which entered Phase I trials in late 2011, and Theliatinib, which entered Phase I trials in late 2012. At the end of Phase I we will judge the functional differentiation of these two molecules both against each other and current marketed EGFR therapies and decide upon a licensing and commercialisation strategy going forward.

Epitinib: Epitinib (HMPL-813) is a highly potent inhibitor of the EGFR tyrosine kinase involved in tumour growth, invasion and migration. Epitinib has good kinase selectivity and demonstrated a broad spectrum of anti-tumour activity via oral dosing in multiple xenografts in preclinical studies. Importantly, in addition to non-small cell lung cancer, EGFR-activating mutations are also found in 30-40% of glioblastoma patients, the most aggressive malignant primary brain tumour in humans. The currently available EGFR inhibitors lack satisfactory clinical efficacy against primary brain tumours or tumours metastasised to the brain, largely due to insufficient drug penetration into the brain through the blood brain barrier. Brain metastasis occurs in 8-10% of cancer patients and is a significant cause of cancer-related morbidity and mortality worldwide. Primary tumours of the lung are the most common cause of brain metastasis, as it has been estimated that 50% of patients with lung cancer will ultimately develop brain metastasis.

Epitinib's point of differentiation: In pre-clinical studies, Epitinib demonstrated excellent brain penetration, superior to that of current globally marketed EGFR inhibitors, and good efficacy in orthotopic brain tumour models and reached drug concentrations in the brain tissue that are expected to result in robust efficacy when given orally at doses well below toxic levels. The Phase I clinical trial started in China in mid-2011 and the dose-escalating study has been progressing throughout 2012. Initial clinical response has been observed in this Phase I study thereby indicating that Epitinib is an effective EGFR inhibitor. During the balance of the Phase I study we will include glioblastoma patients and quickly get a read on Epitinib efficacy in the brain. The final study results are anticipated to be available during 2013.

We believe that if the pre-clinical findings of brain penetration and effective glioblastoma treatment in humans are confirmed in our Phase I clinical study, Epitinib could quickly become a breakthrough development candidate for patients with primary brain tumours or tumours metastasised to brain carrying EGFR-activating mutations, making it potentially a next-generation differentiated alternative to Iressa™ and Tarceva™ with attractive China prospects and major global sales potential.

Theliatinib: Theliatinib (HMPL-309) is a novel small molecule EGFR inhibitor. In preclinical testing, it was found to have potent anti-EGFR activity against the growth of not only the tumours with EGFR-activating mutations, but those without (the majority, also known as wild-type EGFR). Furthermore, it has demonstrated interesting activity against tumours with resistant EGFR mutations. Aberrant EGFR activity can be detected in many cancers through activating mutations, gene amplification, or over expression. Other than non-small cell lung cancer tumours, most other tumour types have no EGFR-activating mutations. The current EGFR inhibitor products have limited response for these cancers and therefore are limited to only non-small cell lung cancer patients with the EGFR-activating mutations.

Theliatinib's point of differentiation: If the potent pre-clinical activity of Theliatinib against wild-type EGFR found in pre-clinical xenograft models can be confirmed in humans in Phase I clinical trials, it could provide an effective therapy for cancers not targeted by current EGFR products. This would make Theliatinib a therapy that could address a major global unmet medical need with attractive China prospects and substantial global sales potential. The Phase I clinical trial started in China in late-2012 and the dose-escalating study has been progressing quickly in 2013. The final study results are anticipated to be available in early 2014.

VEGF/VEGFR Inhibitors: At an advanced stage, tumours secrete large amounts of Vascular Endothelial Growth Factor ("VEGF"), a protein, to stimulate formation of excessive vasculature (angiogenesis) around the tumour in order to provide greater blood flow, oxygen, and nutrients to the tumour. VEGFR inhibitors stop the growth of veins around the tumour and thereby starve the tumour of the nutrients it needs to grow rapidly.

Several first generation VEGF/VEGFR inhibitors have been approved globally since 2005 and 2006, including both small molecule receptor inhibitor drugs such as Nexavar™ (Bayer) and Sutent™ (Pfizer) with 2012 sales of approximately $1.0 billion and $1.2 billion respectively; and monoclonal antibodies such as Avastin™ (Roche) with 2012 sales of approximately $6.1 billion. The success of these drugs validated VEGFR inhibition as a new class of therapy for the treatment of cancer.

While VEGF/VEGFR inhibitors are available on the market in China, 2011 sales of Nexavar™, Sutent™, and Avastin™ in China were only $34 million, $11 million and $22 million respectively because of their very high global pricing (e.g. Nexavar™ approximately $8,000 per month, Sutent™ approximately $9,000 per month and Avastin™ approximately $6,000 per month,) which makes these products only accessible to a miniscule small portion of the Chinese population – based on the above sales and cost data, theoretically only about 800 patients took Nexavar™, Sutent™, and Avastin™ per month in 2011 in China.

Broadly speaking, we believe HMP's VEGFR inhibitor drugs are highly attractive from two angles: 1) if proven in the clinic to be superior and/or differentiated from existing global VEGFR drugs, then our VEGFR inhibitors could have global market best-in-class potential and become a global rival to Nexavar™, Sutent™, and Avastin™; and 2) if clinical trials show non-inferiority, undifferentiated, performance versus existing global VEGFR drugs then we will have a competitive advantage in China as we will not be limited to charging global prices and will be able to undercut existing VEGFR drugs in China thereby offering them to a far broader patient population. As has been shown above in the case of Icotinib (Zhejiang Beta Pharma) in the EGFR market, aggressively priced targeted therapies have high potential in China. Our VEGFR inhibitors have demonstrated good safety, potency and selectivity in pre-clinical and clinical testing.

Fruquintinib: Fruquintinib (HMPL-013) is a novel small molecule compound that is highly selective in only inhibiting certain VEGF receptors, namely VEGFR1, VEGFR2, and VEGFR3 which makes it highly potent at low dosages. Furthermore, preclinical data for Nexavar™ and Sutent™ shows that as a result of being less selective than Fruquintinib, and inhibiting multiple non-VEGF related TKIs, they have poorer tolerability and hence safety at higher doses. Fruquintinib's high kinase selectivity (and therefore tolerability) leads to high drug exposure at the maximum tolerated dose, higher sustained target inhibition to maximise strong clinical efficacy.

Fruquintinib's point of differentiation: Fruquintinib has shown highly potent inhibitory effects on multiple human tumour xenografts, including some refractory tumours such as pancreatic cancer and melanoma and anti-tumour and anti-angiogenic effect compares favourably to approved VEGF drugs. The Phase I clinical trial is complete and a Clinical Trial Application ("CTA") to expand to a Phase II/III study has been submitted to the SFDA. So far Fruquintinib has been well tolerated at doses up to a 4mg single dose per day (and at 5mg per day under a 3 weeks on, 1 week off regimen) to date and demonstrated excellent pharmacokinetic properties.

Very good preliminary clinical activity has been observed in multiple tumour types, including partial response (greater than 30% reduction in tumour size) in breast, colorectal, gastric and non-small cell lung cancer patients. This shows an excellent correlation of the pre-clinical and clinical data with respect to Fruquintinib anti-tumour activity and drug exposure. Across all dose cohorts, overall response rate was 38%, and in the 4mg single dose per day cohort overall response rate was over 46%. In separate Phase I studies, overall response rates for Sutent™ and Nexavar™ were approximately 18% and 2%, respectively. Furthermore, across all dose cohorts in the Phase I Fruquintinib study, Progression Free Survival ("PFS") among colorectal cancer patients was 6.0 months and NSCLC patients was 5.9 months. These PFS results are highly encouraging given the fact that the patients enrolled in this Phase I study were all late-stage cancer patients that had reached a point where they no longer responded to any available treatments on the market.

We believe that if the Fruquintinib clinical efficacy (PFS) and safety that we have seen in the Phase I study is carried through to Phase II/III, that Fruquintinib has the potential to become a major targeted therapy on both the China and global markets over the coming years with substantial global sales potential.

Sulfatinib: Sulfatinib (HMPL-012) is a novel small molecule that selectively inhibits the tyrosine kinase activity associated with VEGFR and fibroblast growth factor receptors ("FGFR"). Pre-clinical data shows that Sulfatinib has demonstrated a narrow kinase inhibition profile, affecting mainly VEGFR and FGFR1, and consequently has an attractive anti-tumour profile. This compound is a potent suppressor of angiogenesis and exhibits higher potency as compared to approved VEGF drugs. It targets major cancer types such as hepatocellular carcinoma, colorectal cancer and breast cancer. The first-in-human Phase I clinical trial is an open-label, dose escalation study, primarily to establish the maximum tolerated dose and assess the safety and tolerability in patients with advanced solid tumours.

The Phase I clinical trial is nearing completion in China and a Phase II/III CTA is expected to be submitted to the SFDA in 2013. Sulfatinib was well tolerated at doses up to 300mg per day and demonstrated preliminary anti-tumour activity. Pharmacodynamics marker analysis indicates the dual inhibition of VEGFR and FGFR. Pharmacokinetic optimisation is in progress.

Volitinib: Volitinib (HMPL-504) is a novel targeted therapy and inhibitor of the c-Met receptor tyrosine kinase for the treatment of cancer. The c-Met (also known as HGFR) signalling pathway has specific roles particularly in normal mammalian growth and development; however this pathway has been shown to function abnormally in a range of different cancers.

Since selective c-Met inhibitors are a new family of targeted cancer treatments, none have yet reached approval stage in the US, Europe or Asia. One of the most clinically advanced selective c-Met inhibitors is a monoclonal antibody named Onartuzumab (MetMAb™) from Roche. It is being investigated in a late-stage trial for use in Met-positive advanced non-small cell lung cancer in combination with Tarceva™. Mid-stage results presented in 2011 showed the combination of Onartuzumab and Tarceva™ tripled the time Met-positive patients lived compared with Tarceva™ alone thereby helping to begin to validate the c-Met pathway as a relevant target in the treatment of cancer.

Volitinib is a potent and highly selective c-Met inhibitor, which has been demonstrated to inhibit the growth of tumours in a series of pre-clinical disease models, especially for those tumours with aberrant c-Met signalling such as gene amplification or c-Met over expression. In addition, these biomarkers provide the potential to explore patient selection strategies in later stage clinical trials.

In December 2011, HMP entered into a global licensing, co-development, and commercialisation agreement for Volitinib with AstraZeneca. Under the terms of the agreement, development costs for Volitinib in China will be shared between HMP and AstraZeneca, with HMP continuing to lead the development in China. AstraZeneca will lead and pay for the development of Volitinib for the rest of the world. An initial cash payment of $20 million was paid by AstraZeneca to HMP upon signing of the agreement. In addition, HMP will receive up to $120 million contingent on the successful achievement of clinical development and first sale milestones. The agreement also contains possible significant future commercial sale milestones and up to double-digit percentage royalties on net sales.

Volitinib entered first-in-human Phase I clinical trial in Australia in February 2012, designed to find the maximum tolerated dose and recommended Phase II dose. A great deal of progress has been made since then and the preliminary study results are anticipated to be available in 2013. A China Phase I/II clinical trial is also expected to initiate in 2013.

Discovery programmes

Our fully integrated discovery teams in oncology and immunology made considerable progress during 2012. We staff and resource our discovery team with the objective of producing one or two new internally discovered drug candidates per year. In 2012, the discovery team progressed two highly novel small molecule drug candidates through to candidate selection

stage, a PI3K-mTOR inhibitor in oncology and a Syk inhibitor in inflammation. If successful in further toxicity testing, IND submissions will be made on both these new drug candidates in 2013 or early 2014. One further HMP discovery programme against the FGFR target in oncology has been underway for over two years and we intend to reach candidate selection stage in 2013. In addition to our internal discovery activities, our collaboration with J&J in inflammation is progressing well, with a key decision point approaching in 2013. We have great expectations for the success of this very important strategic collaboration.

HMP Financing Strategy:

HMP capitalises on the cost efficiencies and speed benefits associated with performing drug research and development in China, maintaining an approximately 180-person highly productive organisation that is progressing six clinical and multiple discovery phase programmes. HMP's average annual cash burn in the past four years, before any income to offset this, has been approximately $20 million. During late 2010, we raised $20.1 million in cash through third party venture capital investments in HMP. In 2011, driven primarily by difficulties in the biotech venture capital, private equity, and capital markets, we moved away from what we assessed would be an overly dilutive equity investment approach in HMP towards a non-dilutive fund raising approach through expanding research collaborations and drug-development partnerships. That year we signed a collaboration agreement with AstraZeneca that included a $20 million cash payment upfront. In 2012, we signed a joint venture agreement with Nestlé Health Science that, amongst other benefits, facilitates the funding of HMPL-004's Phase III clinical trials and the broader gastrointestinal disease research and development program without increasing our cash burn. Looking ahead we will continue to adopt a pragmatic approach to financing HMP, preferring this non-dilutive approach until the progress of our clinical portfolio justifies a material increase in the value of HMP and/or biotech market sentiment improves, at which point equity investment at the HMP level might once again become appealing.

Consumer Products Division

Our Consumer Products Division is an extension of our China Healthcare operation which enables Chi-Med to capture part of the growing consumer trend towards healthy living and to capitalise on the considerable consumer products synergies with the broader Hutchison Whampoa group. We aim to build a profitable scale business systematically over time behind a portfolio of relevant and unique health-related consumer products.

In 2012, we made clear decisions to refocus the Consumer Products Division and discontinue/scale down operations which we judged to either have low long-term value creation potential, were a distraction to the Chi-Med management team or difficult to manage due to geographical isolation, or were a cash drain. Given this we decided to formally discontinue the Sen UK business, and in-so-doing take a non-recurring loss from discontinued operations of $3.2 million. Furthermore, we decided to scale down both the Sen France and China infant formula businesses and make them non-loss making. In order to achieve this, we took total restructuring charges of $4.0 million in 2012 which is the vast majority of the outstanding liabilities of these two projects.

These decisions have led to $7.2 million of non-recurring restructuring costs in 2012. This move allows us to focus on our core China Healthcare Division, Drug R&D Division, and our profitable/higher potential Consumer Products Division in the Asia/China market.

Overall, the Consumer Products Division saw sales on continuing operations decline 9% in 2012 to $10.0 million (2011: $11.1m). The drop was driven by solid growth in the Hutchison Hain Organic and Hutchison Consumer Products distribution business which grew over 33% to $10.0 million (2011: $7.6m) offset by steep declines on the combined Sen France and China infant formula businesses which recorded -$0.1 million in sales (2011: $3.5m) as we scaled them down.

Net loss attributable to Chi-Med equity holders for the Consumer Products Division widened to $6.8 million (2011: $2.9m), however, 2013 is now set to be cash neutral on the Consumer Products Division continuing operations level and thereby allow the Division to grow systematically without being a drain on the Chi-Med group.

The Consumer Products Division has three operating entities; an organic and natural products business, Hutchison Hain Organic Holdings Limited ("HHO"), which is a joint venture with Hain Celestial; a wholly-owned proprietary botanical based beauty care business operated under the Sen® brand; and a wholly-owned consumer products distribution business, Hutchison Consumer Products Limited ("HCPL").

Through its operating entities, the Consumer Products Division distributes and markets 31 brands of primarily healthy living focused products in 48 food, beverage, baby, and beauty care categories. The top seven brands we market include Sen® and Avalon Organics® natural/organic beauty care; Earth's Best® organic baby food; Imagine® organic soups; Terra® natural snacks; Walnut Acres Organic® sauces; and Health Valley® organic cereals and snacks. The Consumer Products Division now employs approximately 45 staff in both the commercial and product supply areas primarily in Hong Kong and mainland China.

Hutchison Hain Organic:

HHO has made most progress in the distribution of the broad range of over 500 imported Hain Celestial organic and natural products, which having commenced in 2010, continued solid progress in 2012 with sales growing 28% to $8.3 million (2011: $6.5 million), driven by like-for-like retail sales growth of 19.3% in PARKnSHOP Hong Kong. While our focus is Hong Kong and mainland China, we have also expanded distribution of our brands, mainly through third party local distributors, in nine territories in Asia. Importantly, this HHO Distribution business turned to profit in the second half of 2012. While the natural and organic consumer products category is still in its infancy in Asia, and especially China, we expect this to evolve quickly over the coming years, making it an appealing and sustainable business for Chi-Med.

The second activity, which HHO was involved in over the past two years, has been the launch of HHO's ZLT/Earth's Best® organic infant formula. After an encouraging start, in 2011, major issues quickly emerged with the supply chain and product quality that have now led HHO to re-evaluate this initiative. During 2012, we cleaned up the market by accepting returns of unsellable stock and began to scale down this project.

Hutchison Consumer Products Limited

HCPL is a small and opportunistic business which sells non-organic health related consumer products through our distribution network in Asia, thereby helping to carry some administrative and overhead costs. Sales in 2012 were $1.8 million (2011: $1.1m).

Sen Medicine Company:

Trading conditions in the UK and France deteriorated materially since 2008 with consumer spending clearly dropping and rents and operating costs increasing thereby making it very difficult to survive. A further difficulty has been the distance of the Sen UK and France from the Chi-Med management team. In June 2012, we made the decision to discontinue the Sen UK business and actively begin scaling down the Sen France operation.

We have however, after significant planning over the past three years, decided to proceed with the Hong Kong launch of Sen by Kim Robinson ("SBKR"), a range of mass-market salon hair care products. Kim Robinson is Hong Kong's most famous celebrity stylist and has granted Sen the exclusive right to manufacture and commercialise a range of SBKR products in the region. SBKR products were launched in Hong Kong on over 240 outlets in late 2012 and are making a major splash with consumer interest, as expected, being very high.

As a result of the changes in Sen strategy in 2012, sales on continuing operations totalled $0.8 million (2011: $1.5m) and net loss attributable to Chi-Med equity holders was $1.0 million (2011: -$0.6m), $0.7 million of which was a non-recurring loss attributable to the scale down costs in France.

Current Trading and Outlook for the Group

We believe that 2013 will be a very good year for Chi-Med across all three divisions.

Sales and profit in the China Healthcare Division has started the year well ahead of 2012 levels as a result of effective commercial execution and a continued normalisation of certain raw material prices. We also expect to create considerable value through our plans to relocate and expand our China manufacturing during the year.

In the Drug R&D Division, we will continue to progress our broad pipeline of drugs in the clinic, thereby further proving their efficacy and safety and potentially leading to a rapid increase in their market value through milestone payments from existing partners and/or further licensing and collaboration activity. Through NSP, our joint venture with Nestlé Health Science, we are also now ready to start the global Phase III trial on HMPL-004.

The Consumer Products Division continuing operations have started the year well and we expect with our focus on HHO and the Division's continuing operations will be operating cash neutral in 2013.

We look forward to 2013 with the expectation of making continued great strides forward on all Chi-Med's businesses.

Christian Hogg

Chief Executive Officer, 25 March 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
Continuing operations			
Revenue	2	195,392	165,029
Cost of sales		(99,400)	(73,921)
Gross profit		95,992	91,108
Selling expenses		(62,681)	(54,198)
Administrative expenses		(35,730)	(31,200)
Other net operating income		3,054	1,075
Gain on disposal of a business		11,476	-
Operating profit		12,111	6,785
Finance costs		(1,208)	(561)
Profit before taxation		10,903	6,224
Taxation charge		(4,162)	(3,142)
Profit for the year from continuing operations		6,741	3,082
Discontinued operation			
Loss for the year from discontinued operation		(3,201)	(1,397)
Profit for the year		3,540	1,685
Attributable to:			
Equity holders of the Company			
- Continuing operations		6,839	2,107
- Discontinued operation		(3,201)	(1,397)
		3,638	710
Non-controlling interests		(98)	975
		3,540	1,685
Earnings per share for profit from continuing operations attributable to equity holders of the Company for the year (US$ per share)			
- basic	3(a)	0.1317	0.0407
- diluted	3(b)	0.1299	0.0400
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company for the year (US$ per share)			
- basic	3(a)	0.0701	0.0137
- diluted	3(b)	0.0691	0.0135

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 US$'000	2011 US$'000
Profit for the year	3,540	1,685
Other comprehensive income:		
Exchange translation differences	814	3,844
Total comprehensive income for the year (net of tax)	4,354	5,529
Attributable to:		
Equity holders of the Company		
- Continuing operations	7,587	5,628
- Discontinued operation	(3,219)	(1,507)
	4,368	4,121
Non-controlling interests	(14)	1,408
	4,354	5,529

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	2012 US$'000	2011 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	22,848	23,277
Leasehold land	10,440	6,175
Goodwill	8,311	8,248
Other intangible assets	15,585	14,858
Investment in an associated company	32	31
Deferred tax assets	1,639	1,550
	58,855	54,139
Current assets		
Inventories	25,318	28,720
Trade and bills receivables	44,343	51,573
Other receivables and prepayments	3,940	5,063
Amount due from a related party	15,000	1,516
Cash and bank balances	62,009	53,763
	150,610	140,635
Total assets	209,465	194,774
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	52,048	51,743
Reserves	18,530	13,042
	70,578	64,785
Non-controlling interests	13,070	12,545
Total equity	83,648	77,330
LIABILITIES		
Current liabilities		
Trade payables	18,897	16,451
Other payables, accruals and advance receipts	43,715	35,568
Amounts due to related parties	6,303	5,345
Bank borrowings	11,202	30,038
Current tax liabilities	951	1,074
	81,068	88,476
Non-current liabilities		
Deferred income	2,692	6,919
Deferred tax liabilities	2,667	1,911
Convertible preference shares	12,467	20,138
Bank borrowing	26,923	-
Total liabilities	125,817	117,444
Total equity and liabilities	209,465	194,774

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	General reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2011	51,743	92,955	3,854	5,239	488	(94,727)	59,552	9,254	68,806
Profit for the year	-	-	-	-	-	710	710	975	1,685
Other comprehensive income:									
Exchange translation differences	-	-	-	3,411	-	-	3,411	433	3,844
Total comprehensive income for the year (net of tax)	-	-	-	3,411	-	710	4,121	1,408	5,529
Share-based compensation expenses	-	-	1,112	-	-	-	1,112	-	1,112
Transfer between reserves	-	-	(218)	-	8	210	-	-	-
Loan from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	2,000	2,000
Capital contribution from a non-controlling share holder of a subsidiary of a jointly controlled entity	-	-	-	-	-	-	-	1,024	1,024
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(1,141)	(1,141)
As at 31 December 2011	51,743	92,955	4,748	8,650	496	(93,807)	64,785	12,545	77,330

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	General reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2012	51,743	92,955	4,748	8,650	496	(93,807)	64,785	12,545	77,330
Profit/(loss) for the year	-	-	-	-	-	3,638	3,638	(98)	3,540
Other comprehensive income:									
Exchange translation differences	-	-	-	730	-	-	730	84	814
Total comprehensive income/(loss) for the year (net of tax)	-	-	-	730	-	3,638	4,368	(14)	4,354
Issue of shares	305	714	(390)	-	-	-	629	-	629
Share-based compensation expenses	-	-	796	-	-	-	796	-	796
Transfer between reserves	-	-	(180)	-	-	180	-	-	-
Loan from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	1,000	1,000
Capital contribution from a non-controlling shareholder of a subsidiary of a jointly controlled entity	-	-	-	-	-	-	-	77	77
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(538)	(538)
As at 31 December 2012	52,048	93,669	4,974	9,380	496	(89,989)	70,578	13,070	83,648

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Net cash generated from operations	4(a)	19,909	9,059
Interest received		578	135
Finance costs paid		(1,208)	(561)
Income tax paid		(3,618)	(3,297)
Net cash generated from operating activities		15,661	5,336
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,533)	(2,754)
Purchase of leasehold land		(4,357)	-
Purchase of trademarks and patents		(22)	(2)
Payments for development costs		(4,169)	(3,548)
Proceeds from disposal of property, plant and equipment		26	2
Acquisition of additional interest in a jointly controlled entity	4(b)	-	(48)
Acquisition of an associated company by a jointly controlled entity		-	(31)
Net cash acquired from the acquisition of a subsidiary by a jointly controlled entity	4(c)	-	465
Capital contribution from non-controlling shareholders of a subsidiary of jointly controlled entity	4(c)	77	-
Net cash used in investing activities		(11,978)	(5,916)
Cash flows from financing activities			
Decrease in amount due from a non-controlling shareholder of a subsidiary		1,516	1,494
Decrease in amount due to a non-controlling shareholder of a subsidiary		-	(13)
Dividend paid to a non-controlling shareholder of a subsidiary		(538)	(1,141)
Loan from a non-controlling shareholder of a subsidiary		1,000	2,000
New long-term bank loans		26,923	6,484
Repayment of short-term bank loans		(18,836)	(946)
Net proceeds from issuance of ordinary shares		629	-
Buy back of convertible preference shares		(6,519)	-
Net cash generated from financing activities		4,175	7,878
Net increase in cash and cash equivalents		7,858	7,298
Cash and cash equivalents at 1 January		53,763	45,310
Exchange differences		388	1,155
Cash and cash equivalents at 31 December		62,009	53,763
Analysis of cash and cash equivalents			
- Cash and bank balances		62,009	53,763

NOTES

1 Basis of preparation

The consolidated accounts of Hutchison China MediTech Limited (the "Company") have been prepared in accordance with International Financial Reporting Standard. The consolidated accounts have been prepared under the historical cost convention except that certain financial assets and liabilities (including derivative instruments) are measured at fair values, as appropriate.

2 Revenue and segment information

The Company and its subsidiaries (together the "Group") is principally engaged in the manufacturing, distribution and sales of traditional Chinese medicine and healthcare products. The Group is also engaged in carrying out pharmaceutical research and development. The Group and its jointly controlled entities have manufacturing plants in Shanghai and Guangzhou in the People's Republic of China (the "PRC") and sell mainly in the PRC, France and Hong Kong. The Group's consumer products operation in the UK has been presented as discontinued operation for the year. Revenues recognised for the year are as follows:

	2012	2011
	US$'000	US$'000
Continuing operations:		
Sales of goods	187,949	150,241
Income from research and development projects (note)	7,443	14,788
	195,392	165,029

The chief executive officer (the chief operating decision maker) has reviewed the Group's internal reporting in order to assess performance and allocate resources, and has determined that the Group has three reportable operating segments as follows:

- China healthcare: comprises the development, manufacture, distribution and sale of over-the-counter products, prescription products and health supplements products.
- Drug research and development: relates mainly to drug discoveries and other pharmaceutical research and development activities, and the provision of research and development services.
- Consumer products: relates to sales of health oriented consumer products and services.

Note:

Income from research and development projects include upfront income of US$4.6 million (2011: US$10.8 million) from a global licensing, co-development and commercialisation agreement and income from the provision of research and development services of US$2.8 million (2011: US$4.0 million).

3 Earnings per share

(a) Basic earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Weighted average number of outstanding ordinary shares in issue	51,918,898	51,743,153
Profit/(loss) for the year attributable to equity holders of the Company		
- Continuing operations (US$'000)	6,839	2,107
- Discontinued operation (US$'000)	(3,201)	(1,397)
	3,638	710
Earnings/(losses) per share attributable to equity holders of the Company		
- Continuing operations (US$ per share)	0.1317	0.0407
- Discontinued operation (US$ per share)	(0.0616)	(0.0270)
	0.0701	0.0137

3 Earnings per share (Continued)

(b) Diluted earnings/(losses) per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share options that have been granted under the Company's share option scheme to reflect the dilutive potential ordinary shares of the Company. A calculation is prepared to determine the number of shares that could have been acquired at fair value (determines as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options.

	2012	2011
Weighted average number of outstanding ordinary shares in issue	51,918,898	51,743,153
Adjustment for share options	731,464	910,571
	52,650,362	52,653,724
Profit/(loss) for the year attributable to equity holders of the Company		
- Continuing operations (US$'000)	6,839	2,107
- Discontinued operation (US$'000)	(3,201)	(1,397)
	3,638	710
Diluted earnings per share for profit from continuing operations attributable to equity holders of the Company (US$ per share)	0.1299	0.0400
Diluted earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company (US$ per share)	0.0691	0.0135

Diluted losses per share from discontinued operation for the years ended 31 December 2012 and 2011 were the same as the basic losses per share from discontinued operation since the share options had anti-dilutive effect.

4 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit for the year to net cash generated from operations:

	2012 US$'000	2011 US$'000
Profit for the year	3,540	1,685
Adjustments for:		
Taxation charge	4,162	3,142
Share-based compensation expenses	752	943
Amortisation of trademarks and patents	67	91
Amortisation of leasehold land	182	145
Write-off of inventories	1,883	31
Provision for inventories	1,591	120
Provision for receivables	83	19
Depreciation on property, plant and equipment	3,800	4,327
Loss on disposal of property, plant and equipment	320	248
Gain on disposal of a business	(11,476)	-
Profit on buy back of convertible preference shares	(1,152)	-
Interest income	(578)	(135)
Finance costs	1,208	561
Exchange differences	5	506
Operating profit before working capital changes	4,387	11,683
Changes in working capital:		
- increase in inventories	(72)	(2,241)
- decrease/(increase) in trade and bills receivables	7,147	(20,854)
- decrease in other receivables and prepayments	1,123	14
- increase in trade payables	2,446	5,894
- increase in other payables, accruals and advance receipts	8,147	7,835
- (decrease)/increase in deferred income	(4,227)	4,984
- increase in amount due to immediate holding company	872	1,744
- increase in amount due to a fellow subsidiary	86	-
Net cash generated from operations	19,909	9,059
Attributable to:		
- Continuing operations	20,147	9,153
- Discontinued operation	(238)	(94)
	19,909	9,059

(b) Acquisition of additional interest in a jointly controlled entity

In 2011, Hutchison MediPharma Limited, a subsidiary of the Group, acquired a 50% interest in the enlarged capital of Qing Yuan Baiyunshan Hutchison Whampoa ChuanXinLian R&D Limited ("CXL") by injection of RMB 2 million (equivalent to US$308,000) to CXL as additional capital. CXL was formerly a wholly-owned subsidiary of HBYS, which is a jointly controlled entity of the Group. After the transaction, the Group's effective interest in CXL increased from 40% to 70%.

(c) Capital contribution from non-controlling shareholders of a subsidiary of a jointly controlled entity

In 2012, Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS"), a jointly controlled entity of the Group, established a subsidiary with 51% interest by injection of RMB1,020,000 (equivalent to US$161,000) and RMB980,000 (equivalent to US$154,000) contributed by non-controlling shareholders as share capital.

In 2011, HBYS, acquired a 60% interest in Nanyang Baiyunshan Hutchison Whampoa Guanbao Pharmaceutical Company Limited by injection of RMB21 million (equivalent to approximately US$3.2 million) as additional capital and capital reserve.