HUTCHISON CHINA MEDITECH LTD

Hutchison China MediTech Limited ("Chi-Med")

(AIM: HCM)

Final Results for the year ended 31 December 2013

Continued momentum. Continued very considerable growth potential.

London: Tuesday, 18 February 2014: Chi-Med today announces its final results for the year ended 31 December 2013.

Consolidated Group Results (IFRS11)

- Revenue from continuing operations up 106% to $46.0 million (2012: $22.4m), not including sales at the JV level which totalled $390.6 million (2012: $345.3m).
- Operating profit up 65% to $9.6 million (2012: $5.8m) including non-recurring charge of $2.0 million.
- Net profit attributable to Chi-Med equity holders up 63% to $5.9 million (2012: $3.6m).
- Cash and cash equivalents at the Chi-Med Group level of $46.9 million (31 December 2012: $30.8m) in addition, and not included at the Group level, cash and cash equivalents held at the JV level totalled $99.0 million (31 December 2012: $62.4m).

Results are reported in US dollar currency unless otherwise stated.

Christian Hogg, Chi-Med CEO, said: "Chi-Med has had a highly successful 2013. We have propelled our revenues and profit, and the drivers of this success are set to continue.

Our Drug R&D Division has taken a major step forward by signing a new licensing deal with Eli Lilly and cementing its collaboration with Janssen to add to those it already has with AstraZeneca and Nestlé Health Science. Its revenues have increased sharply due to payments from these partners. It has significantly progressed its six clinical stage drug candidates either reaching, or closing in on, proof-of-concept. We have spent over $30 million on clinical trials in 2013, with our partners funding the great majority of these clinical costs. Several of our compounds in clinical development showed impressive results in 2013 – in two cases for treatment of certain tumour types, for which there are few, if any, treatment options approved on the global market.

By the end of 2013, Chi-Med had received $72 million of upfront and milestone payments and equity injections from our four partners. Looking ahead, this cash flow should escalate. In addition to funding the vast majority of clinical costs on our partnered drug candidates, our partners will contribute, subject to clinical success, up to approximately $1.2 billion in development, approval, and commercial milestones and option payments, as well as customary royalties on net sales.

Our China Healthcare Division continues to grow rapidly with net profit attributable to Chi-Med equity holders up 20% in 2013, again demonstrating the major potential in the China pharmaceutical market. Its sales and

profitability are now benefitting from the normalisation of raw material prices and, this year, we hope to start crystallising the value in our manufacturing property portfolio. To take advantage of the opportunity for Chi-Med to provide sales, distribution and marketing services to major Chinese and multi-national third party pharmaceutical manufacturers as well as our own Drug R&D Division, we have formed a joint venture with Sinopharm.

Our Consumer Products Division grew sales 23%, driven by the progress of Hutchison Hain Organic, while Sen France and aspects of our China infant formula businesses have been discontinued.

Trading has started well this year. Sales and profit in our China Healthcare Division are well ahead of 2013 levels, as a result of effective execution and continued normalisation of raw material costs. We expect 2014 to be a breakout year for our Drug R&D Division as we publish clinical data on Volitinib, Fruquintinib and Sulfatinib, in each case outlining next stage clinical plans. On HMPL-004 we will reach our Interim Analysis on NATRUL-3, our Phase III induction study, and publish status in mid-2014. We expect also to start Phase I trials on our spleen tyrosine kinase ("Syk") inhibitor for inflammation in Australia, which would elevate the profile of this very high potential programme. Our Consumer Products Division's continuing operations have started well and we expect the refocused operations to be profitable this year.

The opportunities facing us are very considerable and we believe we will deliver further substantial shareholder value this year and beyond."

Highlights

China Healthcare Division – Continuing strong growth

- Sales of subsidiaries and joint ventures ("JVs") up 13% to $394.6 million (2012: $350.5m). Organic expansion of own brands (up 14% to $343.0m) with both prescription and over-the-counter ("OTC") cardiovascular drug sales being the strongest. Third party OTC drug distribution business up only 2% to $51.6 million due to shedding of lower margin activity.
- Net profit attributable to Chi-Med equity holders up 20% to $18.6 million (2012: $15.5m).
- Entered into an agreement to establish a new 51% Chi-Med owned JV, subject to regulatory approval, with Sinopharm Group Co. Ltd. (HKSE:1099) ("Sinopharm") to provide sales, distribution, and marketing services to major Chinese and multi-national third party pharmaceutical manufacturers.

Drug R&D Division – Step-change developments approaching

- Revenue up 327% to $29.5 million (2012: $6.9m) as a result of $22.2 million in upfront and milestone income and $7.3 million in service income from our partners.
- Secured $54.8 million in third party cash injections for Hutchison MediPharma Limited's ("HMP") activities during 2013, bringing the total to $103.6 million since 2010.
- Net loss attributable to Chi-Med equity holders of $2.4 million (2012: net profit $2.8m) due primarily to the consolidation of $8.8 million (2012: nil) non-cash share of the loss of Nutrition Science Partners Limited ("NSP"), the JV with Nestlé Health Science SA ("Nestlé Health Science"). NSP, which is enrolling patients in the HMPL-004 global Phase III registration trial, was entirely self-funded in 2013, and will be until the Interim Analysis in mid-2014, by the initial cash equity investment in NSP by Nestlé Health Science.
- Progressed global development of Volitinib (HMPL-504), a c-Met inhibitor in oncology, in partnership with AstraZeneca AB (publ) ("AstraZeneca") in Phase I in Australia and China. Phase I dose escalation, initiation of which triggered a $5 million milestone in mid-2013, will be completed by early 2014 and results will be published at the American Society of Clinical Oncology ("ASCO") meetings in June 2014. Volitinib has demonstrated very encouraging anti-tumour activity in Phase I in certain tumour-types, some of which have no approved therapies on the global market. Phase II studies in papillary renal cell carcinoma ("PRCC") will start in early 2014 in the United States and global Phase III initiation is scheduled for 2015.

- Completed exclusive license and collaboration agreement for China with Eli Lilly and Company ("Lilly") on Fruquintinib (HMPL-013), our highly selective vascular endothelial growth factor receptor ("VEGFR") inhibitor. Lilly will share development costs and pay HMP up to $86.5 million in upfront payments and development and regulatory milestones and upon commercialisation in China tiered royalties starting in the mid-teens percentage of net sales. Fruquintinib, which received Phase II/III clearance from the China Food & Drug Administration ("CFDA") in mid-2013, will start Phase II studies in several tumour types, and a Phase III registration study on one tumour type, in China in 2014.
- Immunology collaboration with Janssen Pharmaceuticals, Inc. ("Janssen"), the pharmaceutical division of Johnson & Johnson, progressed well in 2013. Janssen nominated a compound, HMPL-507, discovered by HMP, for further development thereby triggering a $6 million milestone payment. Janssen will be responsible for all development costs and will potentially pay HMP up to an additional $90.5 million in development and regulatory approval milestones, and royalties on worldwide sales upon commercialisation.
- Beyond the four partnered drug candidates, HMP has effectively progressed three further high potential small molecule oncology drug candidates with stand-out results on Sulfatinib which in 2013 demonstrated very encouraging anti-tumour activity in certain tumour types, some of which have very limited treatment options approved on the global market.
- In discovery, HMP nominated HMPL-523 in early 2013, a novel Syk inhibitor, for rheumatoid arthritis and intends to start Phase I trials in Australia in early 2014.

Consumer Products Division – Refocused

- Sales on continuing operations up 23% to $12.5 million (2012: $10.2m) driven by progress on the expansion of the range of Hutchison Hain Organic Holdings Limited ("HHO") products in Asia.
- Non-recurring $2.0 million in costs associated with the discontinuation of the Sen France and aspects of the China infant formula businesses.
- Net loss attributable to Chi-Med equity holders on continuing operations of $0.5 million (2012: -$0.9m).

Group results are reported for the full year for the first time under IFRS11 "Joint Arrangements" ("IFRS11"), which establishes the equity accounting principle for the reporting of JVs and means that the income statements and statements of financial position of JVs will no longer be proportionately consolidated. However, total revenues of the JVs will continue to be disclosed throughout the announcement.

A presentation for analysts will be held at 9:00 a.m. today at the offices of Panmure Gordon at 3rd Floor, One New Change, London EC4M 9AF.

The Annual General Meeting of Chi-Med will be held at 4th Floor, Hutchison House, 5 Hester Road, Battersea, London SW11 4AN on Thursday, 8 May 2014 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 ("Hutchison Whampoa"), an international company listed on the Main Board of The Stock Exchange of Hong Kong Limited. For more information please visit: www.chi-med.com.

CHAIRMAN'S STATEMENT

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

In fact, all the key themes I set out in last year's announcement have only continued to demonstrate their strength, and Chi-Med's increasing capabilities.

Our Drug R&D Division produced standout performance last year. It initiated the global Phase III registration study on HMPL-004, NATRUL-3 and NATRUL-4, in early 2013 under our joint venture with Nestlé Health Science, NSP. NATRUL-3, an induction study in ulcerative colitis, is progressing well and we intend to present results from the Interim Analysis of the study in mid-2014.

Other major achievements occurred on Fruquintinib (HMPL-013), Volitinib (HMPL-504), and the Janssen compound, HMPL-507. On Fruquintinib, in early 2013, we published outstanding Phase I clinical data that was quickly followed by CFDA regulatory clearance to proceed into Phase II/III studies. In parallel, we started a Phase Ib study on a tumour-type that showed great potential in Phase I and ended the year by completing a license and collaboration agreement on Fruquintinib with Lilly which will fund rapid clinical expansion. Our collaboration with AstraZeneca on Volitinib made remarkable progress in 2013, with Phase I close to completion in both Australia and China. Based on the exciting results we have observed, a Phase II study will start in early 2014. Our over three-year collaboration with Janssen also led to the formal drug candidate nomination by Janssen of HMPL-507 in the field of inflammation.

The Drug R&D Division secured $54.8 million in third party cash injections through our partnerships with Nestlé Health Science, Lilly, AstraZeneca and Janssen in 2013. In addition, based on strong pre-clinical and clinical data, our team was able to effectively manoeuvre two of our un-partnered products, Sulfatinib and HMPL-523, into positions that show major potential.

Our China Healthcare Division also had an outstanding year, with sales of its own brand products up 14% and net profit attributable to Chi-Med equity holders up 20% to an all-time high of $18.6 million. In addition, we announced a major transaction in the China Healthcare Division with the establishment of a new 51% Chi-Med owned joint venture with Sinopharm (subject to regulatory approval) which will provide us with an exciting new platform to access commercial synergies across both the Chi-Med and Sinopharm groups and serve major Chinese and international third party pharmaceutical manufacturers.

Group Strategy

The scale and potential of the economy of China and its pharmaceutical industry remain our key focus. They are driven by dynamics which are set to continue. On the one hand, the growth of China's national healthcare plan, together with the growth of personal incomes and an aging population, fuels demand for pharmaceutical products, both prescription and OTC. Our China Healthcare Division is well positioned to benefit from this increased demand. 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 as a leading innovator, with one of the strongest oncology and immunology pipeline, and continues to benefit from its first mover position, the inherently lower operating cost base in China and the massive patient populations as compared 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 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 almost nine-fold from approximately $14.1 billion in 2005 to approximately $122.7 billion in 2012.

This translates directly into greater consumption of pharmaceuticals. Looking forward, this rapid growth is set to continue as China continues to widen and deepen its State Medical Insurance Schemes and catches up with the developed world in terms of per capita healthcare spending. There remains a long way to go in this respect as US healthcare spending per capita was over thirty-one times and France was eighteen times that of China in 2011.

The existing products of our China Healthcare Division are all traditional Chinese medicine ("TCM"), or botanical drugs. This sub-category of healthcare represented approximately 43% of the entire prescription and OTC drug sales in China in 2012. 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. We have major scale in these operations, manufacturing and selling about 4 billion doses of medicines a year through our well-established Good Manufacturing Practice ("GMP") manufacturing base and our sizable, approximately 2,700-person, sales team which covers all geographical locations and channels in the China prescription and OTC drug markets. Our new joint venture with Sinopharm will add substantially to Chi-Med's commercial infrastructure in China and we believe that it will be a source of major business opportunity.

We believe that these macro trends, combined with our competitive advantages, normalisation of raw material prices and the realisation of significant value in our property portfolio, will provide an increasingly significant source of profit and cash flows for Chi-Med, its subsidiaries and JVs (the "Group").

Drug R&D Division

We have built HMP into one of China's leading end-to-end oncology and immunology drug R&D operations, and we have recorded above some of its key achievements in 2013. 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 drug candidates which we believe have good 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 fourteen years since we began our efforts. In the interests of the public health, the CFDA, has modernised the drug registration pathway and, particularly in oncology, this is now becoming comparable with the developed world. The biotech ecosystem in China has also advanced substantially. This has been driven by the major trend by multi-national pharmaceutical companies to show interest in, and outsource a portion of their discovery work to China. The result is that world-class drug R&D and innovation is now clearly possible in China.

The focus of our Drug R&D Division has been on creating truly innovative, either first-in-class or best-in-class, drug candidates in the selected therapeutic areas of oncology and immunology, which have major China and global potential. 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 thereby allowing our partners to fund almost all clinical trial costs while allowing the Group to retain value through milestone payments and ultimately the royalty streams. We will continue to negotiate more collaborations on our broader pipeline as it progresses, but in the longer term we intend to bring our future un-partnered innovations to the market in China ourselves, and based on our commercial success in the China Healthcare Division, we are confident that we will succeed in this endeavour.

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 cut the loss-making activities. In future, we will focus on the growth of our successful partnership with The Hain Celestial Group, Inc. (Nasdaq: HAIN) ("Hain Celestial") and our access to the broad retail and distribution network of Hutchison Whampoa.

Cash and Finance

We have maintained a solid cash position. Overall at the Chi-Med group-level, we ended 2013 with cash and cash equivalents of $46.9 million and unutilised bank loan facilities of $10.3 million. Chi-Med group-level bank loans totalled $51.5 million from a HSBC $30.0 million 3-year revolving loan facility (2013-2015) and a $26.9 million 3-year term loan from Scotiabank (Hong Kong) Limited, guaranteed by Hutchison Whampoa, which expires in December 2014 ("Term Loan"). Not included in our group-level numbers is the cash held in our JVs, Shanghai Hutchison Pharmaceuticals Limited ("SHPL"), Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS"), and NSP where in aggregate $99.0 million in cash was held at the end of 2013. The JVs carry $0.8 million bank debt only.

The adoption of IFRS11 by the Group for the first time establishes the equity accounting principle for the reporting of JVs. This changes the Group's net assets and the presentation of the Group's financial performance and position in the consolidated financial statements with the result being that the current liabilities exceeded its current assets by approximately $11.4 million as at 31 December 2013. Included in the current liabilities is the Term Loan which has been reclassified as a current liability from a non-current liability as it falls due in December 2014. Importantly, Chi-Med has received financial support from Hutchison Whampoa in the form of a guarantee which confirms that Hutchison Whampoa will provide financial support to Chi-Med for its obligations under the Term Loan, and will not demand repayment if Hutchison Whampoa settles the Term Loan on behalf of Chi-Med, for a minimum period of twelve months from the approval date of the 2013 consolidated financial statements of Chi-Med.

Dividend

The Chi-Med Board (the "Board") continues to be of the view that Chi-Med can create greater shareholder value by investing in the growth opportunities we see and has therefore decided not to recommend a dividend for the year ended 31 December 2013.

The 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, 17 February 2014

OPERATIONS REVIEW

Group Results

Reporting for the first full year under the new IFRS11 standard, which no longer permits the proportional consolidation of the sales of our two major China Healthcare Division JVs, Chi-Med delivered solid revenue growth, with consolidated Group revenue on continuing operations up 106% to $46.0 million (2012: $22.4m). This was driven primarily by step change growth in the milestone and services income in our Drug R&D Division where revenue increased 327% to $29.5 million (2012: $6.9m). Sales of the continuing operations in our Consumer Products Division grew 23% to $12.5 million (2012: $10.2m) behind regional expansion of the HHO natural and organic product lines. In our nutritional supplements business Hutchison Healthcare Limited ("HHL") sales fell 25% to $4.0 million (2012: $5.3m) as we continued to tighten working capital and restructure the commercial operation to focus on profit, which quadrupled during the period.

The Group's full year operating profit was up 65% to $9.6 million (2012: $5.8m), reflecting the above points and the non-recurring charge of $2.0 million associated with the discontinuation of the Sen France and aspects of our China infant formula project.

The Group's net overhead costs increased to $6.2 million (2012: $6.0m) reflecting an increase of $0.4 million in staff and administration costs but offset in part by reduced costs associated with the employee share option schemes of Chi-Med.

Finance costs were $1.5 million (2012: $1.2m) primarily reflecting the continued borrowing at HHL in the China Healthcare Division, and interest on a partial drawdown of the credit facility of Chi-Med.

Profits attributable to minority interests were $1.1 million (2012: -$0.1m) as the scale down costs carried by Hain Celestial on the China infant formula project dropped materially compared to 2012.

Chi-Med's tax charge was $1.1 million (2012: $1.0m) reflecting a provision for the 5% withholding tax on future dividends resulting from the 2013 profits of our China Healthcare Division JVs.

In total, the Group's net profit attributable to Chi-Med equity holders was up 63% to $5.9 million compared to $3.6 million in 2012 and profit per share grew in line to 11.4 US cents compared to a 7.0 US cents in 2012.

China Healthcare Division

In addition to the rapid expansion and evolution of the broader pharmaceutical industry in China and our key competitive advantages in this sector, we believe that our China Healthcare Division will benefit from the establishment of our new 51% owned strategic joint venture with Sinopharm in the drug distribution and commercialisation arena; the continuing near-term reduction in key raw material prices; and the realisation of significant property assets. In total, we believe, these three 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 JVs of the China Healthcare Division grew 13% to $394.6 million in 2013 (2012: $350.5m) driven mainly by the 14% organic sales growth in our primary own brand prescription and OTC drug products business to $343.0 million (2012: $300.1m). In 2013, however, we consciously decided to pull back working capital from our HHL nutritional supplements business as well as shed low profit lines in HBYS' Good Supply Practice ("GSP") OTC drug distribution subsidiary – in aggregate these actions led to flat

sales in these secondary businesses of $55.6 million (2012: $55.7m).

The outcome of strong volume growth on our primary own brand business combined with our focus on profit in our secondary businesses was a very strong increase in net profit attributable to Chi-Med equity holders up 20% to $18.6 million (2012: $15.5m).

Operating Entities and Scope: In 2013, we operated three companies under the China Healthcare Division: (i) a prescription drug company, SHPL, which is a 50/50 JV with a wholly-owned subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd. (SHA: 601607); (ii) an OTC drug business, HBYS, which is a 50/50 JV with Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (SHA: 600332); and (iii) a wholly-owned nutritional supplements company, HHL**.** We operate two large-scale factories in Shanghai and Guangzhou, and a sales, marketing, and distribution operation across about 600 cities in China.

The China Healthcare Division currently 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") which mandates distribution of drugs in China. Our China Healthcare Division focuses mainly on products and brands which 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 2013 coming from nine core products – six of them are OTC drugs, two prescription drugs, and one nutritional supplement.

In December 2013 we announced the formation, subject to regulatory approval, of a fourth operating company under the China Healthcare Division by subscribing to 51% of the shares of Sinopharm Holding HuYong Pharmaceutical (Shanghai) Co., Ltd. ("Huyong"), to be renamed Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited ("Hutchison Sinopharm"), thereby creating a new Chi-Med majority owned JV with Sinopharm. Sinopharm is China's largest distributor of pharmaceutical and healthcare products and a leading value added supply chain service provider.

China Pharmaceutical Market Dynamics: China is the world's third largest pharmaceutical market and is widely expected to surpass Japan to become the second largest pharmaceutical market globally by 2015 or 2016. There have been two main drivers behind the compound annual growth rate of over 20% in the China pharmaceutical industry between 2005 and 2012. The primary drivers have been economic development, with Gross Domestic Product ("GDP") growth in China averaging 10% per year during that period, and the healthcare reforms which have been an important pillar of the Chinese Government's economic and societal development strategy. Most notably, these healthcare reforms, through the expansion of enrollment in State sponsored medical insurance schemes, have increased medical insurance fund expenditure to approximately $122.7 billion in 2012, a compound average growth rate of 31% since 2005. The growth of these schemes, even though they cover more than just drug expenditure, is directly correlated with drug cost reimbursement for drugs purchased in both the hospital and retail pharmacy channels, and which as a consequence drives sales growth in the pharmaceutical industry.

Looking ahead, the room for continued growth of the pharmaceutical industry remains very substantial. Total national healthcare spending in China in 2012 had increased to 5.4% of GDP compared to 4.6% of GDP in 2009, but still remains very low compared to the approximately 16% and 11% of GDP in the US and Germany respectively. The Ministry of Health's healthcare blueprint "Healthy 2020" targets for healthcare spending as a percentage of GDP to grow to 6.5%-7.0% by 2020 which would bring it into line with the world mean of 6.4%.

In 2012, healthcare coverage for the approximately 536 million people (2011: 473m) enrolled in the Medical insurance scheme for urban employees and residents was reasonably comprehensive at an estimated average expenditure of about $160 per capita. The 805 million people (2011: 640m) covered by the rural cooperative medical scheme receive only an average of about $70 per capita for 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 and migration to the urban scheme through increased employment and urbanisation in China.

In addition to these state/employer sponsored healthcare insurance schemes, the private healthcare system is growing rapidly in China and household spending on healthcare is significant. In 2012, private hospitals represented 7% of all hospital revenue in China, along with 14% of the total hospital beds and 11% of physicians. 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.

TCM Market Sub-sector: The products sold in the China Healthcare Division are currently all TCM. TCM represents approximately 46% of the drugs listed in the National Drug Reimbursement Catalogue in 2010 and approximately 43% of the $176 billion prescription and OTC drug sales in China in 2012 (2011: 43% and $158 billion). 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.

Our China Healthcare Division TCM business is focused on the therapeutic areas of 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 advantages: Our China Healthcare Division has several key competitive advantages namely: 1) two national household name brands (Bai Yun Shan and Shang Yao); 2) our involvement in two of the biggest and most widely distributed TCM therapeutic areas, cold/flu and cardiovascular; 3) major commercial and manufacturing scale; 4) leadership market shares in the sub-categories and markets in which we compete; and 5) our long-term JVs with three of the top five Chinese pharmaceutical companies.

Prescription Drugs – SHPL

SHPL grew prescription drug sales 19% to $138.2 million in 2013 (2012: $116.5m), all of which was from existing products. Since 2005, its compound annual sales growth has averaged 25%. This high level of organic growth has been sustained in recent years primarily because of 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 2013, a total of 32 SHPL products (2012: 32) were included in the NMC with 17 designated as Type-A and 15 as Type-B and with 99.7% of all SHPL sales in 2013 capable of being 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 second largest therapeutic class, after antibiotics, in China with a 13.4% share of the entire pharmaceutical market in 2012 (2011: 13.1%). The market has grown at 19% compounded annually from 2009 to 2012. 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. In 2011, 12% of the total Chinese population was over 65 years old compared to 7% in 2000 and just 4% in 1964.

Sales of SXBXP, a vasodilator used in the treatment of heart conditions, grew 21% to $123.6 million (2012: $102.2m) 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 east China base where it held leadership market share of approximately 39% 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 2013, SHPL's sales in its long established and mature east China markets of Shanghai, Jiangsu and Zhejiang provinces grew 11% to $62.6 million (2012: $56.2m) while at the same time, its sales outside east China again grew more rapidly, up 25% to $75.5 million (2012: $60.3m). Sales outside east China represented 55% of SHPL's total sales in 2013, compared to only 38% ($15.0m) in 2008. This indicates both the continued broadening of our national presence and the significant further geographical expansion potential. SHPL also continued to build its second ranked product, Dan Ning tablet despite strong competition in the gallbladder/inflammation category with sales growth of 6% to $12.4 million (2012: $11.6m). 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 2013, SHPL had over 1,600 medical sales representatives and marketing staff (2012: approx. 1,500), managing distribution and sales of SXBXP in over 13,000 hospitals (2012: approx. 10,000) in China. This still only covers some 54% of over 24,000 hospitals in China in 2013, indicating that substantial distribution channel expansion potential exists.

As previously reported, SHPL is in the process of upgrading its production facilities, to new Chinese GMP standards, and expanding them over three-fold through a move to a new approximately 78,000 square metre plot of land in Feng Pu district (about 40km from Shanghai city centre) from its existing site in Pu Tuo district (about 13km from Shanghai city centre). This move is on track to complete by the end of 2015. As a measure to reduce risk and smooth the transition process, SHPL has decided to work towards attaining the new Chinese GMP certification on its existing Pu Tuo site, and this should be received in 2014.

OTC Drugs – HBYS

OTC drug sales in HBYS increased 10% in 2013 to $252.5 million (2012: $228.7m). This was a combination of 13% growth to $200.8 million in sales of HBYS' own brand OTC products (2012: $178.3m), as raw material prices began to drop and HBYS was able to channel more support into marketing; and a 2% increase to $51.6 million in sales of third party products through HBYS' GSP distribution subsidiary (2012: $50.5m), as HBYS shed some of the lower margin legacy activities on this business which were acquired in 2010.

HBYS holds a portfolio of 147 registered drug licenses in China. By the end of 2013, a total of 69 HBYS products (2012: 62) were included in the China NMC with 34 designated as Type-A and 35 as Type-B and that 87% of all HBYS sales in 2013 could be reimbursed under the National Insurance Systems. In addition, a total of 28 HBYS drugs, of which 9 are in active production, were included on the Essential Medicines List.

In 2013, HBYS' five main products accounted for 70.2% of HBYS sales (2012: 67.9%) as we put greater emphasis on scaling up marketing spend on our own brands as raw material prices normalised and with re-prioritising and shedding of some of the lower margin 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; and Nao Xin Qing tablets for heart disease and stroke prevention.

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. The second key category in which HBYS competes, cold/flu, is also a very relevant market 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. We expect this trend 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 which 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 13% in 2013 to $74.2 million (2012: $65.4m). This was the second year of solid growth after the challenges caused by sharp price increases in its single raw material, Banlangen, which had grown from about RMB5 per kilogram in early 2009 to a peak of RMB35 per kilogram in 2010. The reasons for the raw material price increases were climatic events, droughts and floods, combined with increased consumption around the 2009 H1N1 flu outbreak. This forced us to materially raise ex-factory prices to protect margins which led to some volume softness in late 2010 and early 2011. This is now fully behind us. The price of Banlangen has been stable at around RMB8 per kilogram since late 2011, as a result of its relatively short six-month planting-to-harvest cycle which led to sharply increased supply during 2011.

Sales of FFDS tablets, HBYS' OTC treatment for angina, grew 20% in 2013 to $71.9 million (2012: $60.2m). Dramatic increases in the prices of raw materials used in FFDS, during 2009 and 2010, led HBYS to implement major price increases on FFDS of 24% in early 2010, a further 24% in 2011 and 4% in 2012. This led to softness in volume sales. The raw material price increases were caused, we believe, more by speculation triggered by drought-driven supply constraints. 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, and 4,700 tons per year in 2009, 2010 and 2011 respectively. This compares to an estimated demand of about 7,000 tons per year during that period. Accordingly, the market price of Sanqi increased from about RMB50 per kilogram in 2008 to RMB800 per kilogram in mid-2013. The harvest in 2013 was about 10,000 tons (2012: 6,500 tons) and based on actual plantation areas the harvest in 2014, which starts to come to market in spring, should be no less than 20,000 tons. As predicted, this emerging oversupply has led to the start of the collapse in Sanqi raw material pricing, which fell over 50% to about RMB390 per kilogram in the second half of 2013. We believe that the price of Sanqi will continue to drop over the coming year. This will materially benefit the growth prospects and profitability of FFDS and HBYS. HBYS remained one of the market leaders in the China generic FFDS market throughout this extended period of raw material inflation.

As previously reported, HBYS has been working to upgrade, to new Chinese GMP standards, and expand its production facilities over three-fold through a move away from its existing site in Bai Yun district (about 9km from

Guangzhou city centre). Our intention is to split future manufacturing activities into two functions, extraction (herb processing) and formulation (final product/packaging), and conduct these functions at two separate facilities. Extraction will be conducted at a new facility in Bozhou city, Anhui province. Bozhou is host to the largest herb wholesale market in China due to its proximity to planting sites and central location in China. HBYS acquired, and broke ground on, the approximately 230,000 square metre plot of land for the Bozhou extraction plant in 2013 and is on track to migrate extraction to this site during 2015. Separately, HBYS has acquired an approximately 66,000 square metre plot of land in Zhong Luo Tan district (about 40km from Guangzhou city centre) to build a new formulation factory. Both plots of land, in Bozhou and Zhong Luo Tan were procured at low cost and secured material local government incentives aimed at attracting major tax paying companies like HBYS to their areas. In addition to these actions, HBYS successfully attained new Chinese GMP certification in December 2013 on its existing site in Bai Yun district thereby eliminating any transition risk associated with the moves.

Prescription Drug Distribution and Marketing – Hutchison Sinopharm

In December 2013, Chi-Med announced the establishment of a new JV in China with Sinopharm. Sinopharm is, by a very long measure, China's largest distributor of pharmaceutical and healthcare products and a leading value added supply chain service provider in China, with sales of over $20 billion in 2012 and 18% market share leadership in the China drug distribution market.

Chi-Med will invest approximately $9.8 million in cash into Huyong for the subscription of 51% of the equity in the enlarged share capital of Huyong. This will mean that Huyong will be consolidated as a Chi-Med subsidiary. The Chi-Med investment will be largely deployed for expanding future commercial activities, particularly in the area of third party drug sales and marketing. Sinopharm will hold the balance of 49% of the equity in Huyong.

Huyong is a GSP certified pharmaceutical and healthcare distribution and marketing company that was originally established in 1993 and was subsequently acquired by Sinopharm in 2010. Upon regulatory approval, which is expected in early 2014, Huyong will be re-named as Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited. Huyong's sales in 2012 were over $50 million and profit before tax was $1.0 million, Huyong had gross assets of $29.9 million at 31 December 2012.

The historical business model of Huyong has been more focused on lower margin logistics and distribution activities. This will now gradually change as Hutchison Sinopharm intends to migrate focus on more value added marketing and commercialisation services. Hutchison Sinopharm will build new product-based detailing teams as well as provide a vehicle to tap into Chi-Med's existing approximately 2,700-person pharmaceutical commercial network in China to sell third party products. It will initially focus on big-pharma and multinationals as a customer base and look to become the go-to-market vehicle for products that might be mature, niche, or currently un-detailed by these major organisations. Hutchison Sinopharm will also potentially be a ready-made commercial operation for HMP to bring our un-partnered oncology and immunology drugs to the market in China upon approval.

Chi-Med will bring the detailing and marketing expertise and Sinopharm the distribution, logistics, and government relations infrastructure into Hutchison Sinopharm. Hutchison Sinopharm will have a pan-China scope and we intend to build its commercial system using the same operating models which have proven effective in SHPL and HBYS.

Nutritional Supplements – HHL

In 2013, the sales of our wholly-owned subsidiary HHL declined 25% to $4.0 million (2012: $5.3m) as a result of total focus on profit and continued tightening of working capital – in early 2013 we moved to a cash upfront policy on HHL. Consequently, net profit attributable to Chi-Med equity holders grew 300% to $0.6 million (2012: $0.2m). As a group, Chi-Med has more important priorities for its cash and consequently we have migrated HHL to a less cash intensive, smaller-scale operation. This could change in future if we secure further unique, science-based, nutritional supplement products through partnerships for launch into the China market. In addition, the establishment of Hutchison Sinopharm may lead to a migration of a portion of the HHL business away from third

party commercial partners towards direct control by Chi-Med and this too would see HHL's sales increase.

All HHL's sales were accounted for by its Zhi Ling Tong ("ZLT") infant and pregnant mother supplements brand. Pregnancy supplementation is an important market in China in which 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:

HBYS' existing facilities currently holds two plots of land, which after planning adjustments, totalled 86,100 square metres. The main HBYS factory is on a 59,400 square metre plot of land ("Plot 1") and on the second 26,700 square metre plot of land ("Plot 2") there is a disused printing facility. Our strategy is to transact and develop the disused Plot 2 as soon as possible, followed by the aforementioned phased relocation of the HBYS factory from Plot 1 over the next five years.

In 2013, we made major progress in preparing Plot 2 for return to the Guangzhou Municipal Land Bank, though the timing of this return is out of our direct control since it is subject to the Guangzhou Municipal Government's policy and the political climate. The land in Plot 1 and Plot 2 lies in a specific area of Guangzhou that has been reclassified as a residential/commercial redevelopment area. Infrastructure is already in place, including the Tong He metro station which was opened in November 2010 and is only 800 metres from Plot 2. Precedent auction values for similar plots of land in the immediate vicinity of Plot 1 and 2 would, under current policy, result in compensation to HBYS of approximately $237 million as compared to the current HBYS book value, as at 31 December 2013, of $5.3 million. Based on this level of compensation, and after tax and minority interests, Chi-Med's share of Plot 1 and 2 auction proceeds would be approximately $80 million.

Separately, we remain in negotiations with multiple property developers on the parameters and timing of relocation from SHPL's existing approximately 58,000 square metre site in Pu Tuo district as well as details on the compensation and/or development carried interest that will be payable to SHPL, the land owner. This should release further substantial property value.

Drug R&D Division

Thirteen years ago we established our Drug R&D operation, Hutchison MediPharma Holdings Limited ("HMHL"). To date, Chi-Med, its partners, and other sources of finance have invested approximately $200 million into what is now China's leading end-to-end oncology and immunology drug R&D operation. 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 near-term value creation should any of our drug candidates successfully complete clinical development and reach the market. Over the past three years the quality and potential of HMP's research and development has been well validated and recognised by some of the largest and most influential companies in the pharmaceutical and healthcare industry. Our key partners AstraZeneca and Lilly in oncology, and Nestlé Health Science and Janssen in immunology, have each invested and committed to invest in HMP's clinical development programmes thereby allowing us to fully realise their potential, both in China and the rest of the world. These breakthrough partnerships demonstrate our strategy in practice. They show how we can fund our discovery and clinical trial programmes through upfront and milestone payments and ultimately substantial commercial milestones and royalty streams.

These partnerships are all global in scope. They cover three clinical drug candidates (Volitinib, Fruquintinib, and HMPL-004) and one late-stage preclinical drug candidate (HMPL-507, the Janssen inflammation compound). We retain a major part of the up-side on these four high potential candidates while dramatically reducing the financial

risk to HMP. In aggregate, and subject to clinical success, the four partnerships have the following financial impact on HMP and NSP (HMP's 50% held JV with Nestlé Health Science): $72 million in upfront payments, milestones, and equity injections had been received as at 31 December 2013; up to a further $476 million is scheduled in future development and regulatory approval milestones; up to $145 million in further option payments and up to $560 million in commercial milestones. Royalties on net sales will be at a customary level.

Based on the clinical trial plans agreed for the three development-stage collaborations, the total aggregate global investment in Volitinib, Fruquintinib, and HMPL-004 is estimated at several hundred million US dollars with our partners funding the vast majority of these costs.

As well as these collaborations, we are making rapid progress in our internal drug development programmes. Our other oncology compounds in clinical development include Sulfatinib (HMPL-012) and Epitinib (HMPL-813), which have now shown strong clinical response, as well as Theliatinib (HMPL-309). Each has progressed rapidly in China and should complete their Phase I studies in the first half of 2014. Income from our partnerships should provide the stable resources needed to fund our internal drug development programmes thereby allowing us to bring several of these drug candidates to market in China ourselves.

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 its part, the CFDA continues to make major strides in formalising, communicating, and expediting the new drug registration process in order to meet the public health need.

Total biomedical R&D expenditures in China are the fastest growing for any major market in the world, with a 33% compound annual growth rate from $2.0 billion in 2007 to $8.4 billion in 2012. This compares to a 1% average compound annual reduction in expenditure during the same period in North America and Europe, and a compound annual growth in expenditure of 7% in India and 6% in Asia (excluding China and India). The Chinese Government is heavily investing, primarily through academic and corporate grants, in biomedical R&D with a total of $2.0 billion (24%) of biomedical R&D expenditure in China being government funded. HMP has benefited from this strategy directly by receiving a material amount of government grants since 2011. Furthermore, four of HMP's drug candidates (Sulfatinib, Fruquintinib, Volitinib, and Epitinib) have been classified as a "Key National Programme for Innovative Drug R&D" of the Ministry of Science and Technology of China, thereby qualifying for further grants as well as the highest profile and attention in the regulatory approvals process in China.

2013 Drug R&D Division Financial Performance:
HMP revenues increased 327% to $29.5 million in 2013 (2012: $6.9m) reflecting income from collaboration and licensing deals in the form of upfront payments, milestone payments, and service revenue from Janssen, AstraZeneca, Lilly and NSP. Net loss attributable to Chi-Med equity holders was $2.4 million (2012: net profit $2.8m), reflecting a considerably higher level of clinical activity at HMP and its $8.8 million non-cash share of the $17.5 million net loss of the NSP JV.

Importantly, HMP was cash neutral during 2013 even when excluding HMP's share in the $17.0 million in cash held at the NSP JV level at 31 December 2013 (31 December 2012: nil) and $4.5 million of Lilly payments which were earned in 2013, but to be received in very early 2014.

As our broad clinical pipeline rapidly progresses, the financial and organisational requirements on HMP are mounting. We have taken two steps in the past three years to mitigate the impact of our investments. Firstly, we have licensed/partnered with major multinationals to bring cash into HMP, shared the great majority of clinical expenses with them, and benefited from their considerable technical know-how. Secondly, we have been expanding research collaborations in order to allow the unique research platform of about 200 scientists and staff, which HMP has created in China, to generate cash to help support and sustain itself through providing fee-based

services to our partners. As a result, in total in 2013, HMP's subsidiaries and JVs received aggregate cash and equity injections and contractual obligations of $54.8 million in cash (2012: $2.3m). These cash injections and obligations came primarily from AstraZeneca, Janssen, Lilly and Nestlé Health Science.

With this cash secured, HMP has moved forward all aspects of its oncology and immunology pipeline during 2013, managing clinical trials on six drug candidates in parallel. HMP has a total of six Phase I/Ib oncology trials in China and Australia as well as two Phase III inflammatory bowel disease ("IBD") trials, NATRUL-3 and NATRUL-4, underway in the United States and Europe. Clinical trial spending during the period by HMP, NSP, and its partners on these six drug candidates totalled approximately $30.1 million (2012: $13.1 m).

2013 Primary Drug R&D Division Transactions and Payments:
In October 2013, HMP entered into a licensing, co-development and commercialisation agreement in China with Lilly for Fruquintinib, a selective inhibitor of the Vascular Endothelial Growth Factor ("VEGF") receptor tyrosine kinase, discovered by HMP, and now in Phase Ib/II testing in China. Under the terms of the agreement, the costs of future development of Fruquintinib in China, to be carried out by HMP, will be shared between HMP and Lilly. HMP will potentially receive a series of payments of up to $86.5 million, including upfront payments and development and regulatory approval milestone payments. In 2013, this income totalled $6.5 million. Should Fruquintinib be successfully commercialised in China, HMP would receive tiered royalties starting in the mid-teens percentage of net sales.

In June 2010, HMP and Janssen agreed to pursue a global strategic alliance to develop novel small molecule therapeutics against a target in the area of inflammation/immunology. We are very proud of this collaboration and the over three years of effort of our respective teams has yielded a candidate compound, HMPL-507, triggering a $6 million milestone payment from Janssen in 2013. Our team will continue to actively collaborate with Janssen to develop the compound. Upon achievement of specific clinical development and approval milestones, HMP may potentially receive up to an additional $90.5 million and royalties on worldwide sales upon commercialisation of a product by Janssen.

In December 2011, AstraZeneca and HMP entered into a global licensing, co-development and commercialisation agreement for Volitinib. In mid-2013 HMP gained CFDA clearance on the Volitinib investigational new drug ("IND") application and started the China Phase I study, triggering a $5 million milestone payment from AstraZeneca.

In early 2013, HMP and Nestlé Health Science received all regulatory approvals to establish our JV, NSP. The completion of this transaction meant that no adjustment event would take place to the 12.2% shareholding held by Mitsui & Co., Ltd. ("Mitsui") in HMHL, the indirect holding company of HMP. Mitsui's original investment in HMHL of $12.5 million was converted from a long-term liability (its pre-NSP JV accounting treatment) to equity in HMHL, and the Mitsui shareholding in HMHL will remain 12.2%.

HMP Research and Development Strategy
HMP 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: (i) synthetic compounds against novel targets with global first-in-class potential, which includes Volitinib, HMPL-523, HMPL-453 and HMPL-507 our collaboration compound with Janssen; (ii) synthetic compounds against validated targets with clear differentiation for best-in-class/next generation therapy in their respective categories, including Fruquintinib, Sulfatinib, Epitinib and Theliatinib; and (iii) botanical drugs against multiple targets, including HMPL-004 and the research currently being conducted within the NSP JV.

Product Pipeline Progress

HMPL-004: This is a proprietary botanical drug for the treatment of IBD, namely ulcerative colitis and Crohn's disease. Subject to the terms of the NSP JV agreement, and as part of the broader gastrointestinal disease research and development collaboration, HMPL-004 is in final global Phase III registration trials.

Unmet needs in IBD: With annual drug sales of about $8 billion across the seven major markets (US, Japan, France, Germany, Italy, Spain, and United Kingdom) IBD is a very large therapeutic area. However, there remain clear unmet medical needs in its treatment. These include the need for novel agents which can induce and maintain remission among first-line Mesalamine (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 favourable safety profile has been established in multiple clinical trials. In the aggregate, the data has demonstrated HMPL-004's high potential to address IBD's unmet medical needs.

NSP initiated the NATRUL-3 global Phase III registration trial in April 2013. The primary endpoint of this study is to evaluate 8-week treatments of 1,800mg/day and 2,400mg/day dosages of HMPL-004 compared with placebo in patients with active mild-to-moderate ulcerative colitis who have inadequate response to their current treatment with Mesalamine (5-ASA). Secondary endpoints of this study include clinical response and mucosal healing. As at the end of 2013, 65 US and 13 European clinical sites were running and active. Screening and enrollment in the NATRUL-3 study is proceeding well and the entire study is expected to take approximately 24 months to complete, with an Interim Analysis planned for mid-2014. A second Phase III study NATRUL-4, a study designed to evaluate 1,800mg/day of HMPL-004 as a 52-week maintenance therapy, initiated in July 2013. Subjects who have completed NATRUL-3 are eligible to enter NATRUL-4 directly.

The total HMPL-004 Phase III clinical programme will enroll 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, three of which are in Phase I clinical trials and two of which are starting Phase II studies on multiple tumour-types. Our strategy over the past nine years has been to discover small molecule drugs which target both validated targets such as Epidermal Growth Factor ("EGFR") and VEGFR as well as more novel, clinically un-validated targets which have not yet received marketing approval, such as c-Met, Syk, Fibroblast Growth Factor Receptor ("FGFR") and PI3K. All five of our oncology clinical drug candidates have received IND approval by the CFDA through the Green Channel expedited application process, highlighting their potential and relevance for the China market. In addition, one drug, Volitinib, has also been undergoing Phase I trials in Australia. Together, these oncology clinical drug candidates cover a broad spectrum of most prevalent solid tumours and hematologic malignancies with important unmet medical needs representing significant market potential.

We believe that HMP currently 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.

Volitinib: Volitinib (HMPL-504) is a potent and highly selective c-Met inhibitor for the treatment of cancer, 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 signed a global licensing deal with AstraZeneca on Volitinib and then followed up with the start of Phase I study in Australia in February 2012. This Phase I clinical study is designed to find the maximum tolerated dose and recommended Phase II dose. This study has to-date enrolled and treated 30 patients in seven dose cohorts with the drug administered either once daily or twice daily, the majority of patients being Caucasian.

In April 2013 an IND application was cleared by the CFDA in China enabling HMP to initiate a Phase I study of Volitinib in Asian patients in June 2013. Ten patients have so far been enrolled in this study.

It is anticipated that Phase I dose escalation studies in Australia and China will complete by the end of the first half of 2014. To date, Volitinib has demonstrated good safety and tolerability and favourable pharmacokinetic properties in late stage cancer patients. More importantly, it has shown encouraging anti-tumour activity in several tumour-types, in particular in relation to PRCC, a form of renal cell carcinoma (kidney cancer) for which there is no current approved therapy on the global market. PRCC represents about 10-15% of all new cases of renal cell carcinoma. Aberrant activation of the c-Met signalling pathway has been well documented in PRCC and effective inhibition of c-Met has been considered a potential treatment pathway for PRCC. Based on Phase I activity, we believe that Volitinib is a highly potent c-Met inhibitor and as such has great potential for several tumour-types which exhibit c-Met amplification, mutation, or over-expression. Formal publication of the results from the Phase I studies is planned to be released at the annual meeting of ASCO in June 2014.

Since PRCC has no approved therapy on the global market, HMP and AstraZeneca intend to start a global Phase II PRCC study in early 2014 followed by Phase III global registration study in 2015. Furthermore, in addition to the PRCC plans, Phase II proof-of-concept studies on several other tumour-types with c-Met amplification, mutation, or over-expression are being considered and should start in 2014.

VEGF/VEGFR Inhibitors: At an advanced stage, tumours secrete large amounts of VEGF, a protein, to stimulate formation of excessive vasculature (angiogenesis) around the tumour in order to provide greater blood flow, oxygen, and nutrients to fuel the rapid growth of the tumour. VEGF receptor inhibitors stop the growth of the vasculature 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.

Fruquintinib: Fruquintinib (HMPL-013) is a novel small molecule compound to treat cancer that selectively inhibits VEGF receptors, namely VEGFR1, VEGFR2, and VEGFR3 which makes it highly potent at low dosages. Fruquintinib's high kinase selectivity (and therefore tolerability), particularly when compared to first generation VEGFR inhibitors on the market, leads to high drug exposure at the maximum tolerated dose, higher sustained target inhibition to maximise strong clinical efficacy, and a better safety profile. Fruquintinib has shown highly potent inhibitory effects on multiple human tumour xenografts, including some refractory tumours such as pancreatic cancer and melanoma.

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 ("NSCLC") 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.

A first-in-human Phase I clinical trial started in early 2011 and the clinical programme has enrolled and treated 40 patients. Fruquintinib has demonstrated excellent pharmacokinetic properties and was well tolerated at doses up to 4mg once daily as well as 5mg once daily in a three-weeks-on, one-week-off, regimen. A Phase Ib study was initiated and has treated 58 patients as of the end of 2013 in a tumour-type that responded well to Fruquintinib in Phase I. The Phase Ib study is expected to fully report by the end of the third quarter 2014, with detailed information expected to be released at the ASCO annual meeting in June 2014.

HMP submitted a Phase II/III clinical trial application to the CFDA in late 2012 and received clearance for the Phase II/III study in mid-2013. In October 2013 HMP entered into a co-development and commercialisation agreement in China with Lilly for Fruquintinib, granting the drug more financial resources to be developed across multiple tumour types in China. The costs of future development of Fruquintinib in China, to be carried out by HMP, will be shared between HMP and Lilly. The current development plan for Fruquintinib now includes one new Phase Ib study and two new Phase II studies to initiate throughout 2014, beginning in the second quarter, however in the case of the tumour-type being studied in the ongoing Phase Ib, HMP will very likely move directly into a Phase III registration study in the second half of 2014.

A critical step towards registration of Fruquintinib is the establishment of manufacturing capability which needs to be in place ahead of initiation of the first Fruquintinib Phase III study in China. To this end, during 2013, HMP began construction of a China GMP quality formulation facility for Fruquintinib in Suzhou, Jiangsu province. We believe that this facility will be ready to produce Fruquintinib by mid-2014 to support the first Phase III registration study. Furthermore, the Suzhou facility will be capable of being expanded to support China production of HMP's other oncology candidates as and when necessary.

We believe that if the Fruquintinib clinical efficacy and safety that we have seen in the Phase I study is carried through to Phase III, 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 VEGF and FGFR. Pre-clinical data shows that Sulfatinib has demonstrated a narrow kinase inhibition profile affecting mainly VEGFR and FGFR and consequently has an attractive anti-tumour profile, and is a potent suppressor of angiogenesis, an established approach in anti-cancer treatment. It targets major cancer types such as hepatocellular carcinoma (liver cancer), neuroendocrine tumours, colorectal cancer and breast cancer. The first-in-human Phase I clinical trial is underway in China and has enrolled and treated 57 patients with the drug given once or twice daily. The Phase I dose escalation is still ongoing. To date, Sulfatinib has demonstrated good safety and tolerability, favourable pharmacokinetic properties, and encouraging preliminary anti-tumour activity in multiple tumour types, including liver cancer. Most encouragingly, in Phase I, Sulfatinib has exhibited anti-tumour activity in some tumour types for which there are limited treatment options approved on the global market. This we believe could potentially lead to accelerated approvals/breakthrough status in China and potentially globally. HMP expects to complete the dose escalation by mid-2014 and report results shortly thereafter.

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 happen uncontrollably when EGFR-activating mutations occur. Treatment strategies for certain cancers relate to inhibiting EGFRs with small molecule tyrosine kinase inhibitors. Once the tyrosine kinase is disabled, it cannot activate the EGFR pathway and cancer cell growth is suppressed.

Since 2003, several EGFR inhibitors have been approved globally and in China and are used for the treatment of NSCLC, particularly for patients with EGFR-activating mutations, who make up approximately 10-30% of NSCLC 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. However, there remain several areas of unmet medical needs that represent significant market opportunities, including: (1) brain metastasis and/or primary brain tumours with EGFR activating mutations; (2) tumours with wild-type EGFR activation through gene amplification or over-expression; and (3) T790M EGFR mutation that is resistant to current EGFR inhibitors.

HMP has two EGFR inhibitors which potentially could address two of these areas, 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/superiority of these two molecules both against each other and current marketed EGFR therapies and decide upon a strategy going forward.

Epitinib: Epitinib (HMPL-813) is a highly potent inhibitor of the EGFR tyrosine kinase involved in tumour growth, invasion and migration designed to maximise penetration of the drug into the brain. 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 NSCLC, 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.

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 by the end of 2013 the trial has enrolled and treated 28 patients with drug given once daily. Epitinib was well tolerated with excellent pharmacokinetic properties up to 240mg per day and has now demonstrated the anti-tumour activity expected from EGFR inhibitors and partial response among patients with NSCLC with EGFR-activating mutation.

HMP is now working, within the Phase I trial framework, towards establishing activity in NSCLC patients with tumours metastasised to the brain carrying EGFR-activating mutations. If efficacy among patients with primary brain tumours or tumours metastasised to the brain carrying EGFR-activating mutations is established, Epitinib could become a breakthrough development candidate for HMP, making it potentially a next-generation differentiated alternative to Iressa™ and Tarceva™ with attractive China prospects and major global sales potential. We expect this Phase I study will complete in the second half of 2014.

Theliatinib: Theliatinib (HMPL-309) is a novel small molecule EGFR inhibitor with strong binding affinity to the wild-type EGFR protein. In pre-clinical testing, it was found to have potent anti-EGFR activity against the growth of not only the tumours with EGFR-activating mutations, but also those without (the majority, also known as wild-type EGFR). Other than NSCLC 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 NSCLC patients with the EGFR-activating mutations. The Phase I clinical trial started in China in late 2012 and, amongst the 14 patients that have been enrolled and treated, Theliatinib was well tolerated with good pharmacokinetic properties up to 60mg per day, dose escalation is ongoing. If the pre-clinical findings of wild-type EGFR inhibition are confirmed in humans in Phase I clinical studies, Theliatinib would become a highly attractive next-generation EGFR

inhibitor. The final Phase I study results are anticipated to be available in late 2014.

Discovery programmes: Our fully integrated discovery teams in oncology and immunology made substantial progress in 2013. We staff and resource our discovery team with the objective of producing one or two new internally discovered drug candidates per year.

HMPL-523: HMPL-523 is a novel, highly selective and potent small molecule inhibitor targeting Syk, an essential enzyme involved in B cell receptor signalling pathway and a novel target for investigational therapies in immunology and oncology. HMPL-523 is being developed as an oral formulation for the treatment of inflammatory diseases such as rheumatoid arthritis ("RA") and lupus, as well as B cell receptor driven malignancies.

B cells, one of major cellular components of the immune system, play pivotal roles in autoimmune diseases such as RA and lupus. Targeted B-cell receptor therapy Rituximab (sold as Rituxan™ and MabThera™ by Roche), has been approved for the treatment of RA and non-Hodgkin's lymphoma. Syk, a key enzyme downstream of the B cell receptor, regulates many cellular events of B cells. The first oral Syk inhibitor in clinical development, Fostamatinib, had demonstrated clinical efficacy in late-stage RA trials, however its dose and hence its efficacy was limited by its side effects. In addition, GS-9973 (in development by Gilead Sciences) is undergoing a Phase II clinical trial for chronic lymphocytic leukaemia with promising Phase II interim results.

In preclinical in vitro and animal studies, HMPL-523 demonstrated superior potency and kinase selectivity to Fostamatinib (which should improve its toxicity profile), a reversal of the progression of joint inflammation and bone erosion, and a reduction in the release of multiple pro-inflammatory cytokines. It has completed all IND-enabling studies and Good Laboratory Practice safety evaluation with a favourable safety margin. It is anticipated that the IND will be submitted in early 2014 in Australia, after which will start a Phase I study to evaluate its safety and pharmacokinetic profile in humans.

We believe, due to its high selectivity on Syk and low inhibition of other kinases and good pharmacokinetic properties, HMPL-523 has the potential to be the first small molecule Syk inhibitor to exhibit both efficacy in B-cell activation inhibition as well as a good safety profile in humans. If this can be established in Phase I, we believe that HMPL-523 will become an attractive candidate for global partnership and development.

HMPL-453: In the second half of 2013, HMP's discovery programme against the novel FGFR target in oncology started final regulatory toxicity testing.

HMPL-507: In addition to our internal discovery activities, our three and a half year collaboration with Janssen in inflammation has been very successful and has yielded a confirmed candidate compound, HMPL-507, against a novel inflammation target, triggering a $6 million milestone payment from Janssen. This important strategic collaboration will continue into 2014, with our respective teams working extremely well in partnership.

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.

Overall, the Consumer Products Division's sales on continuing operations grew 23% in 2013 to $12.5 million (2012: $10.2m). This was driven by solid growth in the HHO business. We discontinued the Sen France operation and aspects of the China infant formula businesses and, in-so-doing, took a non-recurring charge of $2.0 million, of which $1.4 million was attributable to Chi-Med equity holders and $0.6 million to Hain Celestial. Net loss attributable to Chi-Med equity holders for the continuing operations of the Consumer Products Division narrowed to

$0.5 million (2012: $0.9m).

The Consumer Products Division has three operating entities: an organic and natural products business, HHO, which is a JV 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.

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 several hundred imported Hain Celestial organic and natural products. Having commenced in 2010, this continued well in 2013 with sales on continuing operations growing 23% to $10.2 million (2012: $8.3 million). This was driven by 16% growth in HHO's organic and natural packaged food business to $6.7 million, a 31% increase in sales of organic personal care products to $2.3 million, and a 51% increase in organic baby foods to $1.1 million.

While our geographical focus is Hong Kong and mainland China, which grew 15% to $6.4 million in 2013 and represented 63% of HHO's business, we have also expanded distribution of our brands into nine territories in Asia. Particularly good progress was made during 2013 in Singapore and Taiwan, where sales grew 91% to $1.7 million.

Organic and natural consumer products remain a niche category in Asia, however we believe that this will evolve quickly over the coming years and HHO is well positioned to benefit from this. In order to step-up expansion, reduce complexity, and improve profitability on the HHO business we will look to begin production of some key items in China during 2014.

Current Trading and Outlook for the Group

We believe that 2014 will be a very good year for Chi-Med across all three divisions.

Sales and profit in our China Healthcare Division have started the year well ahead of 2013 levels as a result of effective commercial execution and a continued normalisation of certain raw material prices which we expect to continue through the year. We are also continuing to work towards creating considerable value through our plans to relocate and expand our China manufacturing capabilities.

We expect a break-out year in 2014 on our Drug R&D Division as we publish clinical data on Volitinib, Fruquintinib, and Sulfatinib, in each case outlining next stage clinical plans. We expect by year end to have up to six Phase II studies and possibly two Phase III studies ongoing on these three candidates. On HMPL-004 we will complete our Interim Analysis on NATRUL-3, our Phase III induction study, and publish the status. We expect also to start Phase I trials on HMPL-523, our Syk inhibitor for inflammation, in Australia and, in so doing, to attract attention to this high potential programme. We believe that these activities will further prove the efficacy and safety of our pipeline and lead to a rapid increase in their market value as well as triggering milestone payments from existing partners and/or

further licensing and collaboration activity.

The Consumer Products Division's continuing operations have started the year well and we expect to focus on HHO and make a profit in this Division in 2014.

We look forward to 2014 with the expectation of making continued great strides forward on all Chi-Med's businesses.

Christian Hogg

Chief Executive Officer, 17 February 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000 (Restated)
Continuing operations			
Revenue	2	45,970	22,367
Cost of sales		(22,208)	(12,754)
Gross profit		23,762	9,613
Selling expenses		(3,452)	(5,694)
Administrative expenses		(21,295)	(21,376)
Other net operating income		1,603	1,871
Gain on disposal of a business		-	11,476
Share of profits less losses after tax of joint ventures		10,937	17,147
Operating profit		11,555	13,037
Finance costs		(1,485)	(1,160)
Profit before taxation		10,070	11,877
Taxation charge		(1,050)	(1,116)
Profit for the year from continuing operations		9,020	10,761
Discontinued operations			
Loss for the year from discontinued operations		(1,978)	(7,221)
Profit for the year		7,042	3,540
Attributable to:			
Equity holders of the Company			
- Continuing operations		7,323	9,472
- Discontinued operations		(1,408)	(5,834)
		5,915	3,638
Non-controlling interests		1,127	(98)
		7,042	3,540
Earnings per share for profit from continuing operations attributable to equity holders of the Company for the year (US$ per share)			
- basic	3(a)	0.1407	0.1824
- diluted	3(b)	0.1385	0.1799
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)	0.1136	0.0701
- diluted	3(b)	0.1119	0.0691

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 US$'000	2012 US$'000 (Restated)
Profit for the year	7,042	3,540
Other comprehensive income that has been or may be reclassified subsequently to profit or loss:		
Exchange translation differences	3,342	662
Total comprehensive income for the year (net of tax)	10,384	4,202
Attributable to:		
Equity holders of the Company		
- Continuing operations	10,360	10,616
- Discontinued operations	(1,503)	(6,248)
	8,857	4,368
Non-controlling interests	1,527	(166)
	10,384	4,202

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)	1 January 2012 US$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5,028	3,344	4,550
Leasehold land	1,508	1,498	1,523
Goodwill	407	407	407
Other intangible assets	-	-	14,166
Investment in joint ventures	111,405	109,552	66,690
Deferred tax assets	285	280	390
	118,633	115,081	87,726
Current assets			
Inventories	1,420	1,590	4,327
Trade receivables	13,410	9,508	12,168
Other receivables and prepayments	3,356	1,583	2,221
Amount due from related parties	1,985	1,194	5,676
Cash and cash equivalents	46,863	30,767	42,525
	67,034	44,642	66,917
Total assets	185,667	159,723	154,643
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	52,051	52,048	51,743
Reserves	36,819	18,530	13,042
	88,870	70,578	64,785
Non-controlling interests	15,966	11,620	11,324
Total equity	104,836	82,198	76,109
LIABILITIES			
Current liabilities			
Trade payables	4,163	3,183	4,941
Other payables, accruals & advance receipts	15,389	15,229	11,912
Amounts due to related parties	7,374	6,303	5,345
Bank borrowings	51,508	10,892	29,731
Current tax liabilities	-	-	158
	78,434	35,607	52,087
Non-current liabilities			
Deferred income	-	-	4,551
Deferred tax liabilities	2,397	2,528	1,758
Convertible preference shares	-	12,467	20,138
Bank borrowing	-	26,923	-
	2,397	41,918	26,447
Total liabilities	80,831	77,525	78,534
Net current (liabilities)/assets	(11,400)	9,035	14,830
Total assets less current liabilities	107,233	124,116	102,556
Total equity and liabilities	185,667	159,723	154,643

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	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, as previously reported	51,743	92,955	4,748	8,650	496	(93,807)	64,785	12,545	77,330
Prior year adjustments in respect of changes in accounting policy	-	-	-	-	-	-	-	(1,221)	(1,221)
As at 1 January 2012, as restated	51,743	92,955	4,748	8,650	496	(93,807)	64,785	11,324	76,109
Profit /(loss)for the year	-	-	-	-	-	3,638	3,638	(98)	3,540
Other comprehensive income/(loss) that has been or may be reclassified subsequently to profit or loss, as restated :									
Exchange translation differences arising from:									
-subsidiaries	-	-	-	224	-	-	224	-	224
-joint ventures	-	-	-	506	-	-	506	(68)	438
	-	-	-	730	-	-	730	(68)	662
Total comprehensive income/(loss) for the year (net of tax), as restated	-	-	-	730	-	3,638	4,368	(166)	4,202
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
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(538)	(538)
As at 31 December 2012, as restated	52,048	93,669	4,974	9,380	496	(89,989)	70,578	11,620	82,198

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	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 2013, as previously reported	52,048	93,669	4,974	9,380	496	(89,989)	70,578	13,070	83,648
Prior year adjustments in respect of changes in accounting policy	-	-	-	-	-	-	-	(1,450)	(1,450)
As at 1 January 2013, as restated	52,048	93,669	4,974	9,380	496	(89,989)	70,578	11,620	82,198
Profit for the year	-	-	-	-	-	5,915	5,915	1,127	7,042
Other comprehensive income that has been or may be reclassified subsequently to profit or loss:									
Exchange translation differences arising from:									
-subsidiaries	-	-	-	662	-	-	662	62	724
-joint ventures	-	-	-	2,280	-	-	2,280	338	2,618
	-	-	-	2,942	-	-	2,942	400	3,342
Total comprehensive income for the year (net of tax)	-	-	-	2,942	-	5,915	8,857	1,527	10,384
Issue of shares	3	6	(2)	-	-	-	7	-	7
Share-based compensation expenses	-	-	332	-	-	-	332	25	357
Transfer between reserves	-	-	(168)	-	-	168	-	-	-
Dilution of interest in a subsidiary	-	-	(120)	(243)	-	9,459	9,096	3,371	12,467
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(577)	(577)
As at 31 December 2013	52,051	93,675	5,016	12,079	496	(74,447)	88,870	15,966	104,836

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$'000	2012 US$'000 (Restated)
Cash flows from operating activities			
Net cash used in operations	4	(4,065)	(18,123)
Interest received		451	388
Finance costs paid		(1,485)	(1,160)
Income tax paid		(1,181)	(393)
Dividend received from joint ventures		11,308	7,837
Net cash generated from /(used in) operating activities		5,028	(11,451)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,500)	(430)
Payments for development costs		-	(4,169)
Proceeds from disposal of property, plant and equipment		-	11
Net cash used in investing activities		(2,500)	(4,588)
Cash flows from financing activities			
Decrease in amount due from a non-controlling shareholder of a subsidiary		-	1,516
Dividend paid to a non-controlling shareholder of a subsidiary		(577)	(538)
Loan from a non-controlling shareholder of a subsidiary		-	1,000
New long-term bank loans		-	26,923
New short-term bank loans		14,261	-
Repayment of short-term bank loans		(568)	(18,839)
Net proceeds from issuance of ordinary shares		7	629
Buy back of convertible preference shares		-	(6,519)
Net cash generated from financing activities		13,123	4,172
Net increase/(decrease) in cash and cash equivalents		15,651	(11,867)
Cash and cash equivalents at 1 January		30,767	42,525
Exchange differences		445	109
Cash and cash equivalents at 31 December		46,863	30,767
Analysis of cash and cash equivalents			
- Cash and bank balances		46,863	30,767

NOTES

1 Basis of preparation

The consolidated accounts of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated accounts have been prepared under the historical cost convention.

As at 31 December 2013, the current liabilities of the Group exceeded its current assets by approximately US$11,400,000. Included in the current liabilities is a term loan of US$26,923,000 which is due for repayment in December 2014 (the "term loan") and is guaranteed by Hutchison Whampoa Limited ("HWL"), the ultimate holding company of the Group. HWL has confirmed that it will provide continuous financial support to the Group for its obligations under the term loan, and will not demand for repayment should HWL be required to repay the term loan on the Group's behalf, for a minimum period of twelve months from the date of this report (the "financial support").

The future funding requirements of the Group are expected to be met through cash flows generated from operating activities, the continuous draw down of the existing revolving credit facility and the planned refinancing of the term loan. Based on the Group's history of its ability to obtain external financing together with the financial support from HWL, its operating performance and its expected future working capital requirements, the management is of the view that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due.

Accordingly, these consolidated accounts have been prepared on a going concern basis.

Change in accounting policies and disclosures

During the year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the International Accounting Standards Board that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2013. The adoption of these new and revised standards, amendments and interpretations did not have any material effects on the Group's results of operations or financial position, except for IAS 1 (Amendments) and IFRS 11 as described below.

(A) The amendments to IAS 1 "Presentation of Financial Statements" introduce a grouping of items presented in other comprehensive income items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

(B) IFRS 11 "Joint Arrangements" was issued in May 2011 which required a party to a joint arrangement to determine the type of joint arrangement it is involved by assessing the contractual rights and obligations arising from the arrangement rather than the legal structure.

In accordance with IFRS 11, joint arrangements are classified into two types:

(i) Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator shall recognise in relation to its interest in a joint operation i) its assets, including its share of any assets held jointly; ii) its liabilities, including its share of any liabilities incurred jointly; iii) its revenue from the sale of its share of the output arising from the joint operation; iv) its share of the revenue from the sale of the output by the joint operation; and v) its expenses, including its share of any expenses incurred jointly; and

(ii) Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures unless the entity is exempted from applying the equity method as specified in that standard.

1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

Under the current rights and obligations of operations in the Group's joint ventures ("JVs"), Group management has assessed the existing arrangement and determined the Group's JVs as joint venture arrangements.

In previous years, the Group's share of each of the assets, liabilities, income and expenses of the JVs were combined line by line with the Group's similar line items in the consolidated accounts in accordance with the proportionate consolidation method.

In the consolidated accounts for the year ended 31 December 2013, the Group adopted the equity method to account for its investments in JVs in accordance with IFRS 11. Under the equity method, interests in JVs are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the JVs. The change in accounting policy has been applied for the earliest comparative period presented and the effect of the change in accounting policy mentioned above on the results of the Group for the year ended 2013 and the financial position of the Group as at 31 December 2013 are summarised as follows:

Estimated impact of change in accounting policy on the consolidated income statement and statement of comprehensive income

	For the year ended 31 December 2013 Change in accounting policy US$'000
Revenue	(195,977)
Cost of sales	100,400
Gross profit	(95,577)
Selling expenses	57,070
Administrative expenses	24,978
Other net operating income	(1,231)
Share of profits less losses after tax of joint ventures	10,937
Operating profit	(3,823)
Finance costs	21
Profit before taxation	(3,802)
Taxation charges	3,802
Profit for the year from continuing operations	-
Discontinued operations	
Loss for the year from discontinued operations	-
Profit for the year	-
Other comprehensive income	
Exchange translation differences	-
Total comprehensive income	-

There are no impacts on the basic and diluted earnings per share as the profit for the year remain unchanged.

1 Basis of preparation (Continued)

Estimated impact of change in accounting policy on the consolidated statement of financial position

	As at 31 December 2013 Change in accounting policy US$'000
ASSETS	
Non-current assets	
Property, plant and equipment	(24,440)
Leasehold land	(16,405)
Goodwill	(8,059)
Other intangible assets	(15,144)
Investment in an associated company	(36)
Investment in joint ventures	111,405
Deferred tax assets	(1,756)
	45,565
Current assets	
Inventories	(31,162)
Trade receivables	(32,168)
Other receivables and prepayments	(6,526)
Amount due from related parties	1,896
Cash and cash equivalents	(49,578)
	(117,538)
Total assets	(71,973)
EQUITY	
Capital and reserves attributable to the Company's equity holders	
Share capital	-
Reserves	-
Non-controlling interests	(1,700)
Total equity	(1,700)
LIABILITIES	
Current liabilities	
Trade payables	(20,797)
Other payables, accruals and advance receipts	(43,585)
Amounts due to related parties	-
Bank borrowings	(1,378)
Current tax liabilities	(410)
	(66,170)
Non-current liabilities	
Deferred income	(3,861)
Deferred tax liabilities	(242)
Convertible preference shares	-
Bank borrowing	-
	(4,103)
Total liabilities	(70,273)
Net current assets	(51,368)
Total assets less current liabilities	(5,803)
Total equity and liabilities	(71,973)

1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(C) IFRS 12 "Disclosure of Interests in Other Entities" brings together into a single standard that all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosure requirements in IFRS 12 are generally more extensive than those previously required by the respective standards. The Group's additional disclosures of interests in joint ventures and subsidiaries with material non-controlling interests have been made in the consolidated financial statements accordingly.

2 Revenue and segment information

The Group is principally engaged in the manufacturing, distribution and sales of TCM and healthcare products, and carrying out pharmaceutical research and development. Revenues recognised for the year are as follows:

	2013 US$'000	2012 US$'000 (Restated)
Continuing operations:		
Sales of goods	16,470	15,452
Income from research and development projects (note)	29,500	6,915
	45,970	22,367
Discontinued operations:		
Sales of goods	(40)	38
Service income	-	166
	45,930	22,571

Note:

Income from research and development projects include upfront income and milestone income of US$22.2 million (2012: US$4.6 million) from three global licensing, co-development and commercialisation agreements and income from the provision of research and development services of US$7.3 million (2012: US$2.3 million).

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.

3 Earnings/(losses) per share

(a) Basic earnings/(losses) per share

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

	2013	2012 (Restated)
Weighted average number of outstanding ordinary shares in issue	52,050,988	51,918,898
Profit/(loss) for the year attributable to equity holders of the Company		
- Continuing operations (US$'000)	7,323	9,472
- Discontinued operations (US$'000)	(1,408)	(5,834)
	5,915	3,638
Earnings/(losses) per share attributable to equity holders of the Company		
- Continuing operations (US$ per share)	0.1407	0.1824
- Discontinued operations (US$ per share)	(0.0271)	(0.1123)
	0.1136	0.0701

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) 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.

3 Earnings per share (Continued)

(b) Diluted earnings/(losses) per share (Continued)

	2013	2012 (Restated)
Weighted average number of outstanding ordinary shares in issue	52,050,988	51,918,898
Adjustment for share options	827,438	731,464
	52,878,426	52,650,362
Profit/(loss) for the year attributable to equity holders of the Company		
- Continuing operations (US$'000)	7,323	9,472
- Discontinued operations (US$'000)	(1,408)	(5,834)
	5,915	3,638
Diluted earnings per share for profit from continuing operations attributable to equity holders of the Company (US$ per share)	0.1385	0.1799
Diluted earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company (US$ per share)	0.1119	0.0691

Diluted loss per share from discontinued operations for the years ended 31 December 2013 and 2012 were the same as the basic loss per share from discontinued operations since the share options had anti-dilutive effect.

4 Note to the consolidated statement of cash flows

Reconciliation of profit for the year to net cash used in operations:

	2013 US$'000	2012 US$'000 (Restated)
Profit for the year	7,042	3,540
Adjustments for:		
Taxation charge	1,050	1,116
Share-based compensation expenses	357	752
Amortisation of leasehold land	38	36
Write-off of inventories	137	1,468
Provision for inventories	88	927
Provision for receivables	42	72
Depreciation on property, plant and equipment	925	1,466
Loss on disposal of property, plant and equipment	18	184
Gain on disposal of a business	-	(11,476)
Profit on buy back of convertible preference shares	-	(1,152)
Interest income	(451)	(388)
Share of profits less losses after tax of joint ventures	(10,937)	(17,147)
Finance costs	1,485	1,160
Exchange differences	493	(27)
Operating profit/(loss) before working capital changes	287	(19,469)
Changes in working capital:		
- (increase)/decrease in inventories	(55)	342
- (increase)/decrease in trade receivables	(3,944)	2,588
- (increase)/decrease in other receivables and prepayments	(1,773)	638
- increase in amount due from a fellow subsidiary	(89)	-
- increase in amount due from joint ventures	(614)	(188)
- increase in amount due from the ultimate holding company	(88)	-
- increase/(decrease) in trade payables	980	(1,758)
- increase in other payables, accruals and advance receipts	160	3,317
- decrease in deferred income	-	(4,551)
- increase in amount due to immediate holding company	1,157	958
- decrease in amount due to a fellow subsidiary	(86)	-
Net cash used in operations	(4,065)	(18,123)
Attributable to:		
- Continuing operations	(2,826)	(17,230)
- Discontinued operations	(1,239)	(893)
	(4,065)	(18,123)