CHI-MED

HUTCHISON CHINA MEDITECH LIMITED
和黃中國醫藥科技有限公司

A Hutchison Whampoa Company

2012 Annual Report

China Healthcare

Drug Research & Development

Consumer Products

Corporate Information

BOARD OF DIRECTORS

Executive Chairman
Simon TO, BSc, ACGI, MBA

Executive Directors
Christian HOGG, BSc, MBA
Chief Executive Officer
Johnny CHENG, BEc, CA
Chief Financial Officer

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Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS (PE)

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Senior Independent Director
Michael HOWELL, MA, MBA, HonFCGI
Christopher HUANG, BA, BMBCh, PhD, DM, DSc, FSB

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Christopher HUANG
Christopher NASH

REMUNERATION COMMITTEE
Simon TO (Chairman)
Michael HOWELL
Christopher NASH

TECHNICAL COMMITTEE
Christopher HUANG (Chairman)
Simon TO
Christian HOGG

COMPLAINTS COMMITTEE
Simon TO
Christian HOGG
Michael HOWELL
Edith SHIH

COMPANY SECRETARY
Edith SHIH

NOMINATED ADVISER
Panmure Gordon (UK) Limited

CORPORATE BROKERS
Panmure Gordon (UK) Limited
UBS Limited

AUDITOR
PricewaterhouseCoopers

Contents

Our Business

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.

China Healthcare

We have three companies operating in the fast growing China Healthcare market. These companies are increasingly strong cash generators from the development, manufacture and marketing of both prescription and over-the-counter pharmaceuticals and health supplements.

Drug Research and Development

Through Hutchison MediPharma Limited, Chi-Med researches and develops botanical and small molecule drugs for the global market. We focus on the oncology and immunology therapeutic areas.

Consumer Products

Chi-Med is engaged in the development of a health oriented consumer products business. This includes several brands of botanical, natural, and organic food and personal care products primarily in the China and Asian markets.

Highlights

Consolidated Group Results

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

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

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

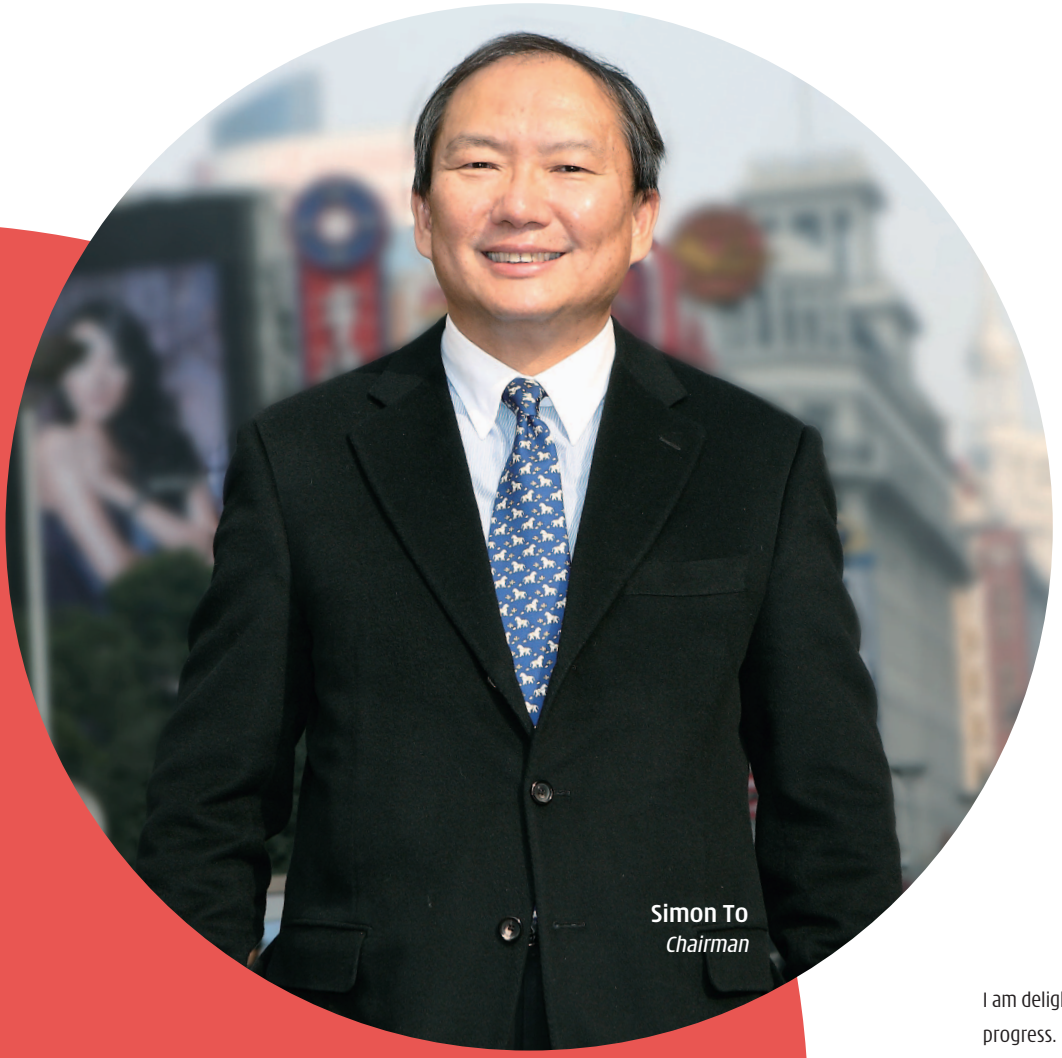
Drug R&D Division - Greatest driver of major step-change value creation

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

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

- Sales on continuing operations down 9% to $10.0 million (2011: $11.1m) as we scale down loss making consumer businesses and focus on Hutchison Hain Organic and Sen in Asia.
- Non-recurring $7.2 million Consumer Products Division restructuring costs include $3.2 million charge on discontinuation of Sen UK business, and $4.0 million scale down costs from Sen France and China infant formula businesses.
- Net loss attributable to Chi-Med equity holders on continuing operations of $3.6 million (2011: -$1.4m).
- Continuing operations of Consumer Products Division are expected to be cash neutral in 2013.

Chairman's Statement



Simon To
Chairman

With each year, the potential of Chi-Med becomes clearer, and the business strengthens its platform for future growth and takes steps forward.

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

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

+18%

Organic sales growth of existing operations (% change 2012 vs. 2011)

Operating Profit
(US$ million)

8.9

Net Profit Attributable to Equity Holders (US$ million)

3.6

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

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

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

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

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

China Healthcare Division

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

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

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

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

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

Drug R&D Division

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

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

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

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

Consumer Products Division

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

Cash and Finance

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

Dividend

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

Future Change to IFRS Accounting Rule

In 2012, I reported that The International Accounting Standards Board ("IASB") had published a new standard on the accounting treatments for JCEs, IFRS 11 "Joint Arrangements" ("IFRS 11"). This came into effect on 1 January 2013 and means that income statements and statements of financial position of JCEs will no longer be consolidated on a proportional basis. For Chi-Med, the effect is that in future the 50/50 Shanghai Hutchison Pharmaceuticals Limited ("SHPL") and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") joint ventures within our China Healthcare Division will be treated as equity investments in Chi-Med's consolidated accounts. The most noticeable impact will be how we report revenues, as revenues from SHPL and HBYS will no longer be proportionally consolidated. If 2012 results were reported under this new standard, Chi-Med Group revenue from continuing operations would be $22.2 million versus the $195.4 million reported under the old proportionally consolidated standard. The new standard will however not affect either the way we operate SHPL and HBYS, the synergies the Group gains from these operations, or most importantly the considerable net profit attributable to Chi-Med shareholders from these JCEs.

The Board

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

Employees

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

Simon To
Chairman

25 March 2013

Chief Executive Officer's Statement

Christian Hogg
Chief Executive Officer

2012 has been a great year for Chi-Med, making particularly strong progress in our China Healthcare and Drug R&D Divisions.

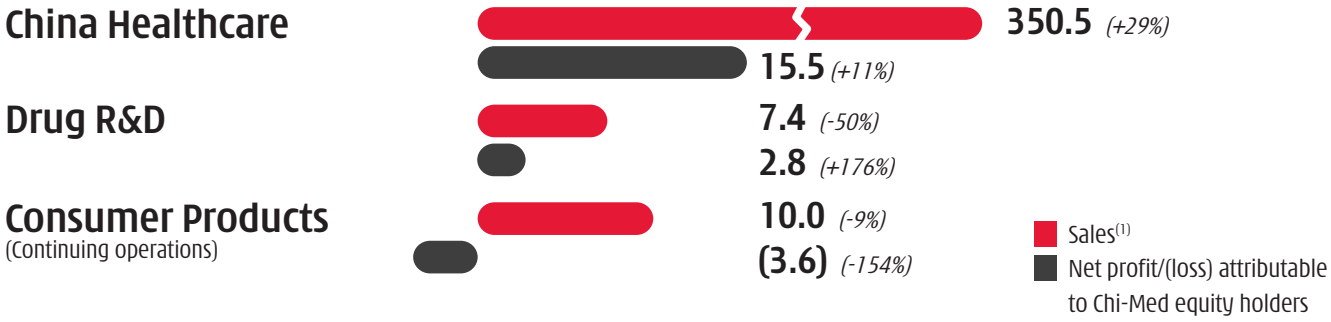
Group Results

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

The Group recorded a full year operating profit of $8.9 million (2011: $5.4m), reflecting the above points as well as $7.2 million restructuring costs associated with the discontinuation of the Sen UK operation ($3.2m) and the scaling down of Sen France ($0.7m) and the China infant formula project ($3.3m). Also reflected in the 2012 Group results is the impact of establishing the NSP joint venture with

2012 Performance by Division

US$ million (% change 2012 vs. 2011)



Nestlé Health Science. These impacts include a one-time dilution gain of $11.5 million and elimination of $18.5 million HMPL-004 capitalised development costs associated with the NSP joint venture.

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

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

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

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

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

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

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

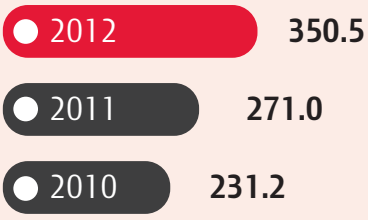
Overview of Operations

China Healthcare Division

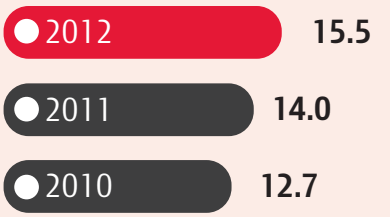
The China Healthcare Division is an established, stable, and diversified China pharmaceuticals operation. Aside from the rapid expansion and evolution of the broader pharmaceutical industry in China and our key competitive advantages as laid out below, we believe that our China Healthcare Division will be positively affected in the near-term

China Healthcare Division

Sales(1) (US$ million)



Net Profit Attributable to Equity Holders (US$ million)

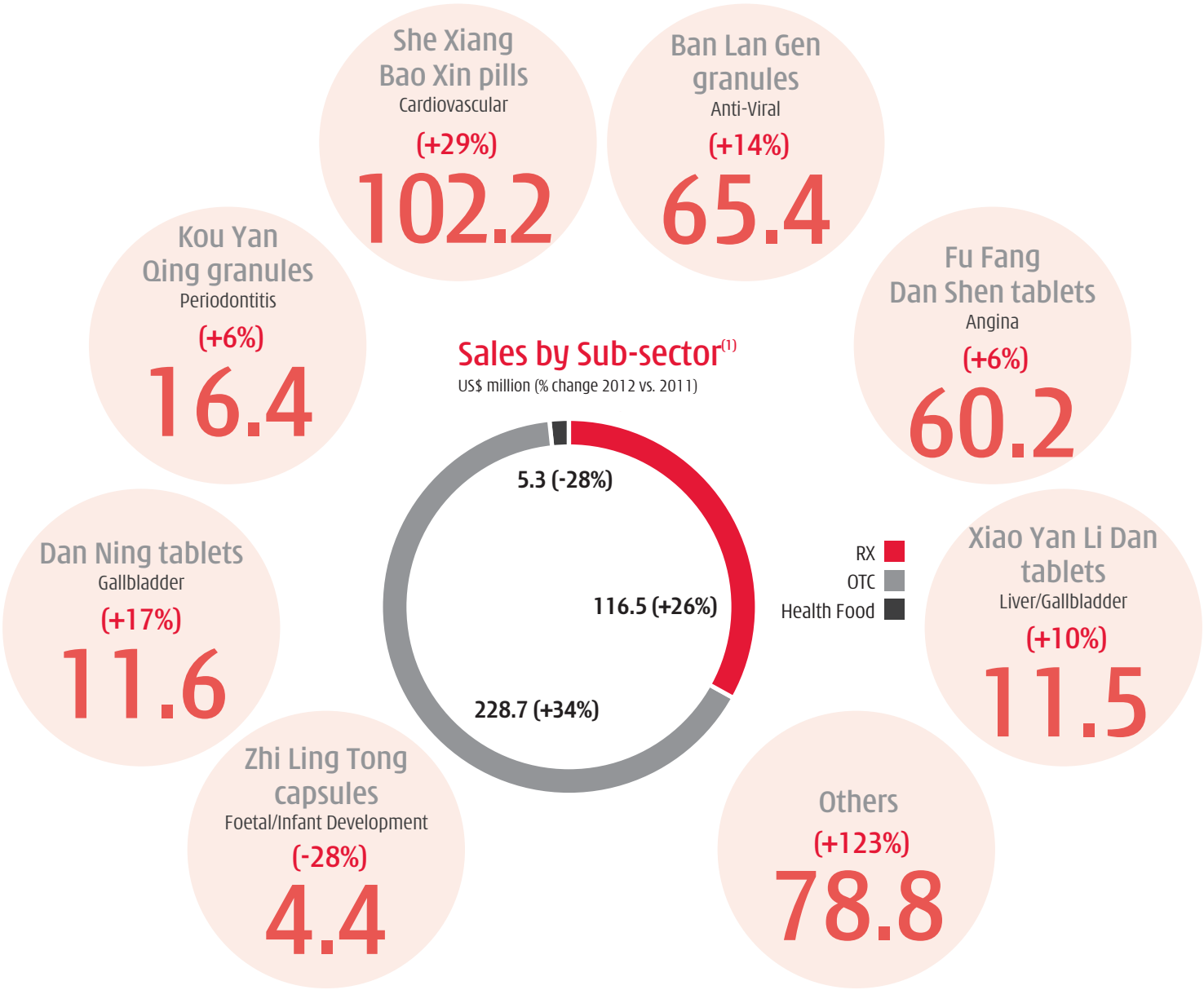


(1) Sales of subsidiaries and jointly controlled entities

China Healthcare

China Healthcare Division Product Portfolio 2012 Sales[1]

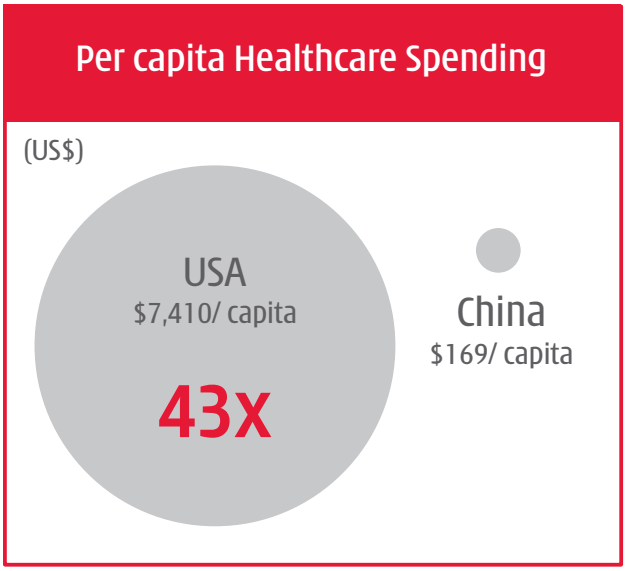
US$ million (% change 2012 vs. 2011)



Total Sales[1]

350.5 (+29%)

(1) Sales of subsidiaries and jointly controlled entities



Source: Barclays Capital

by the reduction in key raw material prices, and realisation of significant property assets. In total, we believe, these factors will combine to translate into an increasingly material source of profit and cash for the Group.

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

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

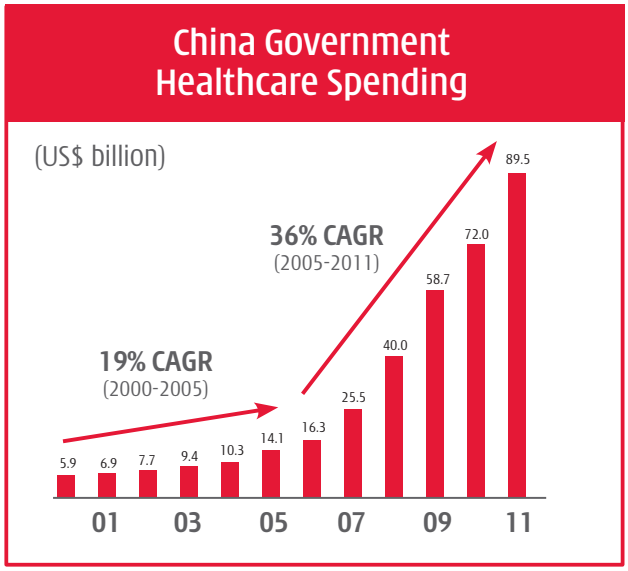
The Division manufactures and sells two household name brands in the pharmaceutical industry in China, the OTC brand Bai Yun Shan (meaning "White Cloud Mountain", a famous scenic area in Guangzhou) and the Shang Yao brand (literally meaning "Shanghai Pharmaceuticals"). Our products have extensive representation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

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

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

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

In addition to these state/employer sponsored healthcare insurance schemes, the private healthcare system is growing rapidly in China. In 2011 approximately 28% of all hospitals (6,137) were privately run and average out of pocket spending on healthcare reached approximately $97 per capita. A total of approximately 12% of household disposable income in China was spent on healthcare in 2011,



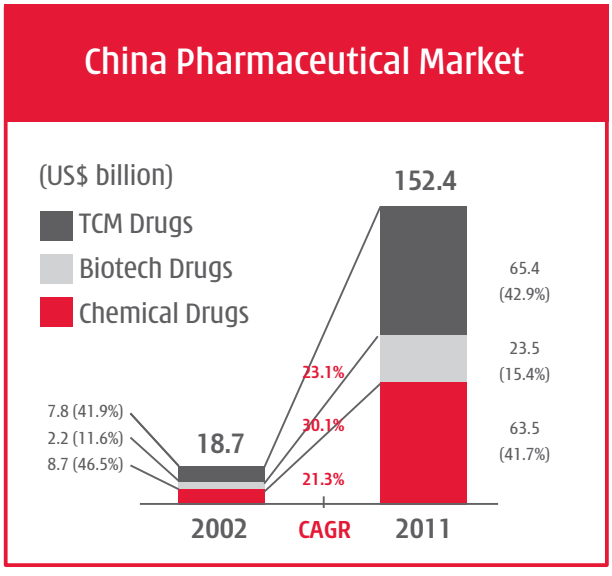
Source: Deutsche Bank, CEIC, Ministry of Health

indicating that healthcare is a very high priority to Chinese families. We believe that with the continued development of China, increasing urban migration and employment combined with the expansion of the private health system to augment government schemes, that growth in the China pharmaceutical industry will continue to outpace growth of the overall Chinese economy over the coming years.

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

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

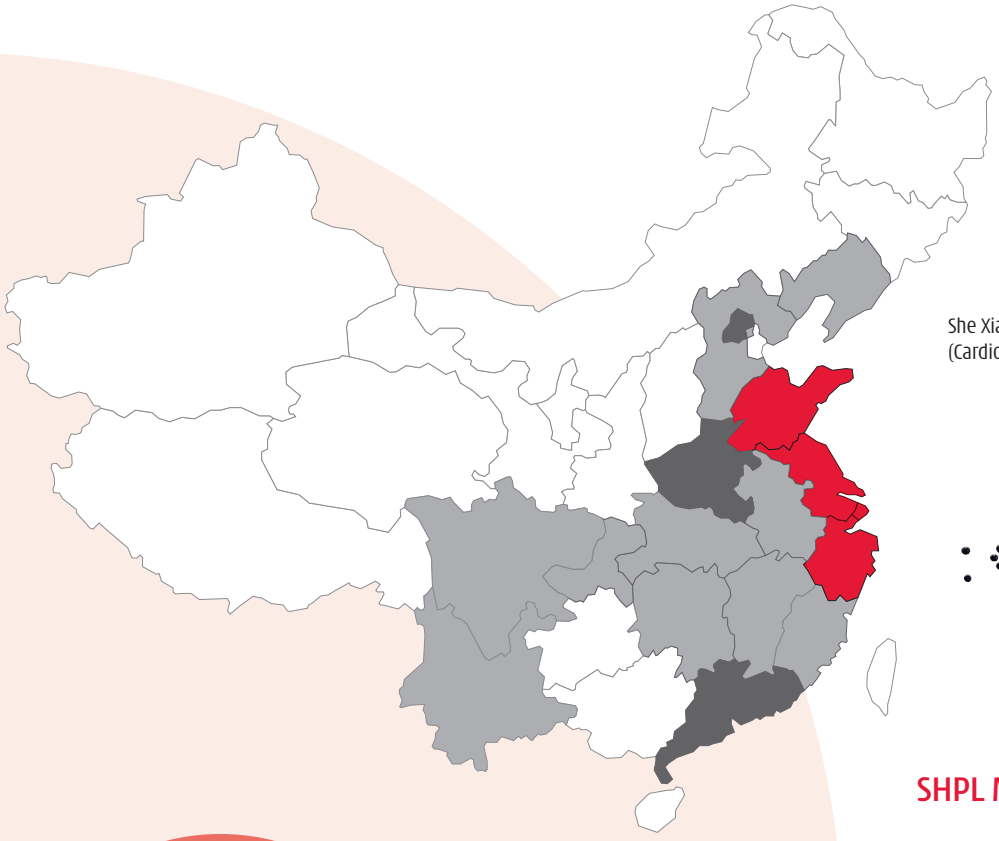
Chi-Med's competitive advantage: Our China Healthcare Division has several key competitive advantages namely: 1) our focus on the fast growth TCM sub-sector; 2) our involvement in two of the biggest and most widely distributed TCM therapeutic areas, cardiovascular and cold/flu; 3) leading market shares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



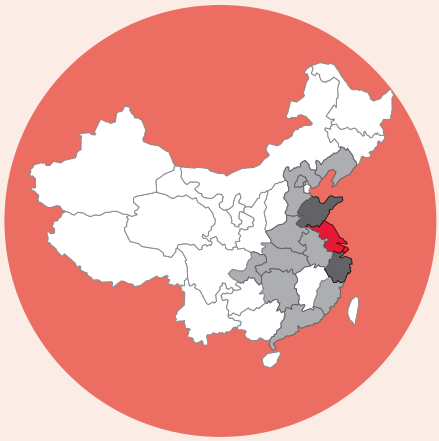
Source: Morgan Stanley

SHPL China Sales Distribution - 2012 Sales-by-Province

SHPL has continued to make solid progress in expanding beyond its eastern China base where it held leadership market share.

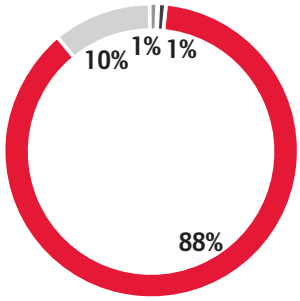


She Xiang Bao Xin pills
(Cardiovascular)



2011
Sales-by-Province

SHPL Main Products by Sales:



- Cardiovascular (SXBXP)
- Gallbladder (Dan Ning tablets)
- Immunity (Sheng Mai Injection)
- Others

2012 Total SHPL Sales: $116.5 million (up +26%)

Shanghai Hutchison Pharmaceuticals Limited

Prescription Drugs – SHPL

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

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

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

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

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

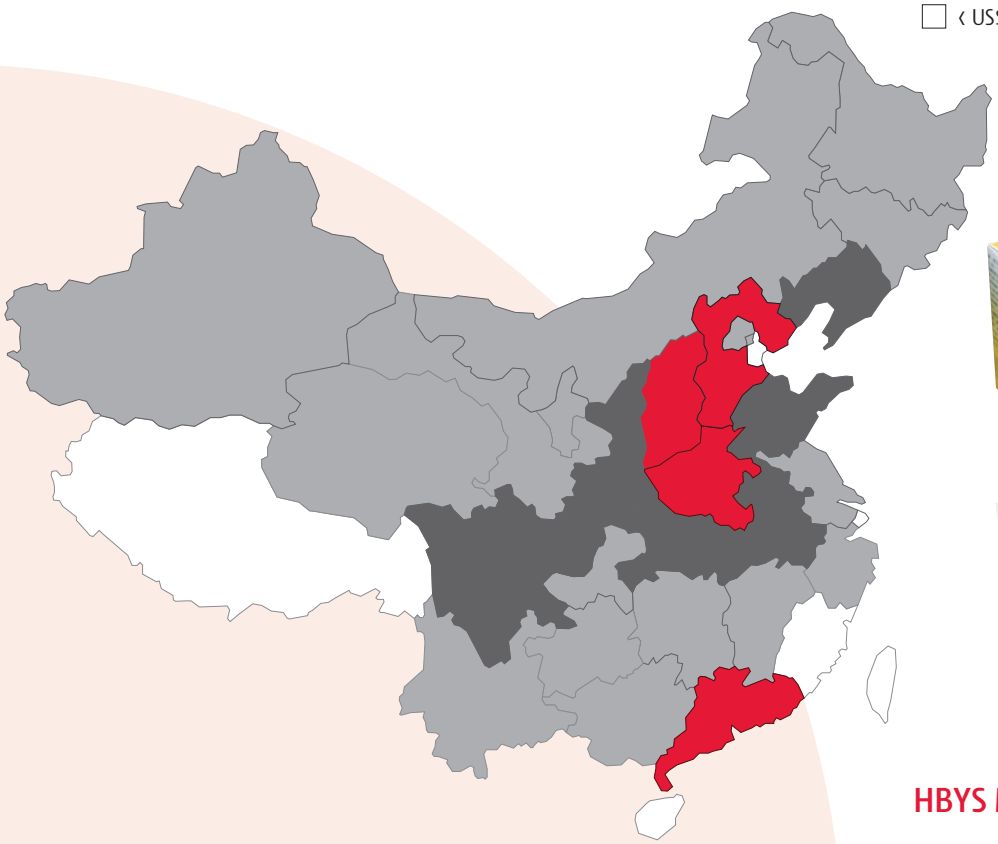
As well as its strong portfolio of reimbursed prescription drugs and its trusted Shang Yao brand, SHPL's main strength remains its powerful, regimented, and scalable commercial team. At the end of 2012, SHPL had over 1,500 medical sales

HBYS China Sales Distribution - 2012 Sales-by-Province

HBYS continues to expand across China with particular strength in central and southern China. Geographical expansion potential lies in both eastern and southwest China.

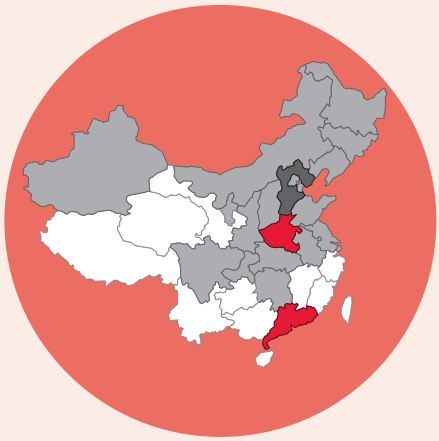
Sales Level

- › US$10.0 million Net Sales
- US$5.0 - 10.0 million Net Sales
- US$1.0 - 4.9 million Net Sales
- ‹ US$1.0 million Net Sales



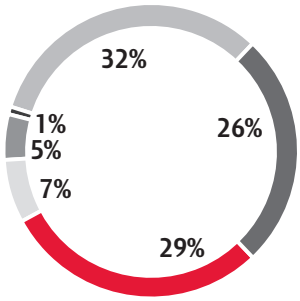
Fu Fang Dan Shen tablets (Angina)

Ban Lan Gen granules (Anti-Viral)



2011
Sales-by-Province

HBYS Main Products by Sales:



- Angina (FFDS)
- Anti-Viral (BLG)
- Periodontitis (Kou Yan Qing granules)
- Gallbladder (Xiao Yan Li Dan tablets)
- Inflammation (Chuan Xin Lian)
- Others

2012 Total HBYS Sales: $228.7 million (up +34%)

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited

representatives and marketing staff (2011: approx. 1,300), managing distribution and sales of SXBXP in over 10,000 hospitals (2011: approx. 9,600) in China. This still only covers some 43% of over 23,000 hospitals in China in 2012, indicating that substantial remaining channel expansion potential exists.

OTC Drugs – HBYS

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

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

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

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

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

FFDS tablet, HBYS' OTC treatment for angina, sales grew 6% in 2012 to $60.2 million (2011: $57.0m). During early 2010 HBYS implemented major price increases on FFDS of 24%, a further 24% in 2011 and 4% in 2012 which led to some softness in volume. These ex-factory price increases were driven by dramatic increases in the prices for the raw materials used in FFDS during 2009 and 2010. Raw material price increases were caused, we believe, more due to speculation triggered by drought-driven supply constraints as several companies in China stockpiled the raw materials in order to profit by selling to manufacturers at higher prices. According to an article in the National Business Daily, the supply of Sanqi, the key herb in FFDS which takes three years to grow, averaged approximately 4,500, 4,900, 4,700 tons per year in 2009, 2010 and 2011 respectively compared to an estimated current demand of about 7,000 tons per year which led to an over five-fold increase in the market price of Sanqi from 2009 to the end of 2012. The harvest in 2012 was about 6,500 tons and based on actual plantation areas, assuming no adverse climatic effects, the harvest in 2013 (which starts to come to market in spring) and 2014 will be no less than 10,000 and 20,000 tons respectively. This we believe will drive raw material prices down dramatically and allow FFDS to return to normal growth – this trend being consistent with the broader market in which overall TCM industry gross margins bottomed out in the third quarter of 2011 and since have been on the rise. HBYS remained one of the market leaders in the China generic FFDS market in 2011.

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

Nutritional Supplements – HHL

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

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

Property Update on SHPL/HBYS Production Expansion

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

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

Plot 2 plan: Plot 2 was rezoned as a residential development area in 2012. Pursuant to the redevelopment policy for old towns, old villages and old factories of the Guangdong Province ("Redevelopment Policy"), Plot 2 will be collected into the land bank of the Guangzhou Municipal Government and then sold to land developers by auction, 60% of the auction proceeds will be paid to HBYS, the land owner, as compensation ("Total Compensation"). As the Total Compensation is dependent on the auction price and the area available for auction, it is critical for HBYS to monitor closely the development design/type and plot ratio

Zhi Ling Tong capsules (Foetal/Infant Development)

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

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

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

IFRS Rule Change

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

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

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

Drug Research & Development

Hutchison MediPharma Limited

Drug R&D Division

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

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

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

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

INDs were submitted approximately 46 months ago (Sulfatinib); 43 months ago (Fruquintinib); 35 months ago (Epitinib); 30 months ago (Theliatinib); and 15 months ago (Volitinib).

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

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

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

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

Signing ceremony for Nutrition Science Partners Limited joint venture

Christian Hogg, CEO of Chi-Med and Luis Cantarell, President and CEO of Nestlé Health Science

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

HMP Research and Development Strategy

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

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

Synthetic compounds against validated targets: Our second area of focus is the research and development of small molecule drugs against validated targets, such as Epidermal Growth Factor Receptor ("EGFR") and Vascular Endothelial Growth Factor Receptor ("VEGFR"), which already have had therapies approved and launched on the global market, but are only approved for limited applications in China. The rationale for this approach is two-fold: 1) rapid development of such products

for launch in the fast growth China market, and 2) if differentiated/superior properties are identified on our drug candidates in China clinical trials we would license out and launch in global markets through partnership. HMP's EGFR inhibitors, Epitinib and Theliatinib, and VEGFR inhibitors Fruquintinib and Sulfatinib fit into this category.

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

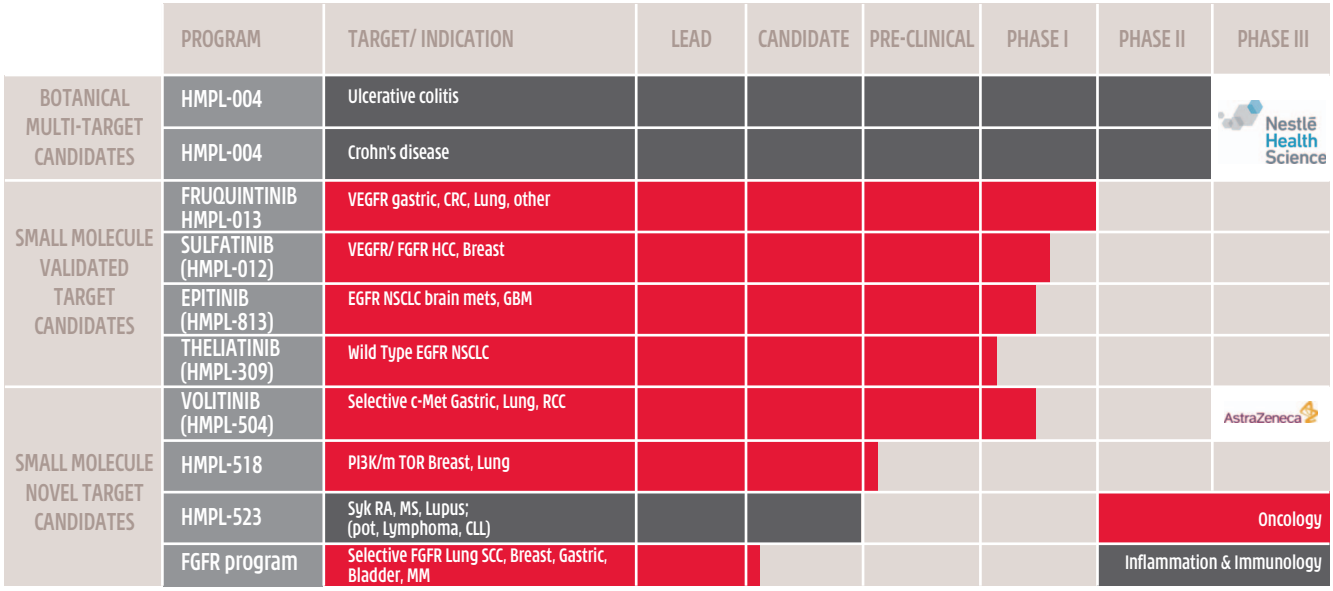
Over the past ten years, HMP, through its presence in China and global development and regulatory activities, has built unrivalled expertise in the field of botanical drug development and has achieved clinical success with HMPL-004, our drug candidate for IBD. HMP's internal botanical component library,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

Product Pipeline Progress

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

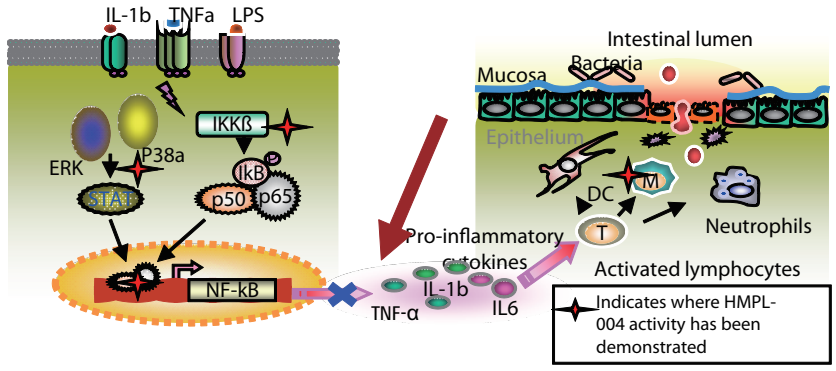
Current Treatments for IBD: The current standard of care for IBD starts with 5-aminosalicyclic acids (5-ASAs) which can induce and maintain clinical response and remission in approximately 50% of IBD patients. For the 5-ASA non-responding patients with moderate-to-severe active diseases, various forms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

The market for IBD drug sales was approximately $7.9 billion in 2012 across the seven major markets (the United States, Japan, France, Germany, Italy, Spain and the United Kingdom) according to Datamonitor, with sales in the US alone expected to reach $6.8 billion by 2021. IBD is estimated to affect approximately 1.4 million people in the US today, about 1 in 200, according to the Crohn's and Colitis Foundation of America. Moreover, in those seven major markets total sales of 5-ASAs in 2012 were estimated at approximately $1.6 billion with Warner Chilcott (Asacol™) and Shire (Lialda™ and Pentasa™) accounting for approximately $0.8 billion and $0.7 billion respectively, mostly in the US. Sales of biologics for treatment of IBD in the seven major markets in 2012 were estimated at about $5.4 billion with J&J (Remicade™) and AbbVie (Humira™) accounting for approximately $3.2 billion and $1.7 billion respectively.



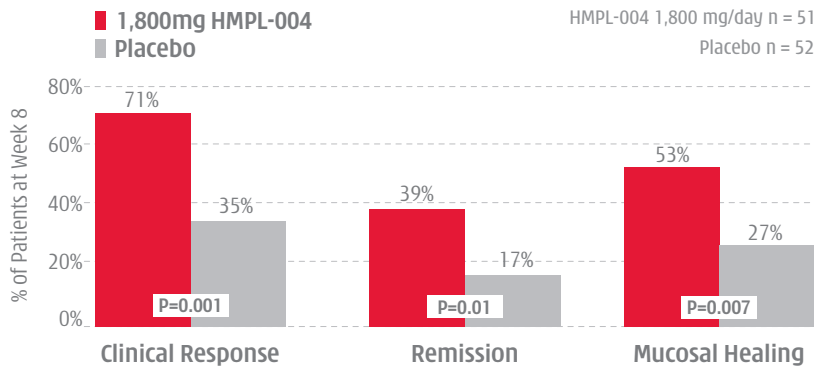
HCC - Hepatocellular carcinoma or liver cancer; CRC - Colorectal cancer or colon cancer; NSCLC - Non small cell lung cancer; RCC - Renal cell carcinoma or kidney cancer; GBM - Glioblastoma or brain cancer.

HMPL-004
Unique multi-target MOA[1]



(1) Mechanism of Action Inflammatory Bowel Disease.

HMPL-004 Phase IIb ulcerative colitis trial (HMPL-004 plus 5-ASA)



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

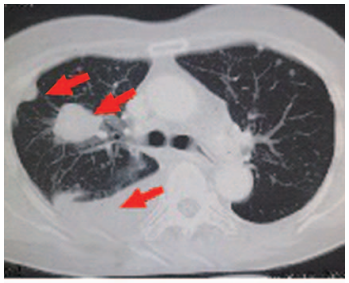
Fruquintinib's point of differentiation: Fruquintinib has shown highly potent inhibitory effects on multiple human tumour xenografts, including some refractory tumours such as pancreatic cancer and melanoma and anti-tumour and anti-angiogenic effect compares favourably to approved VEGF drugs. The Phase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

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

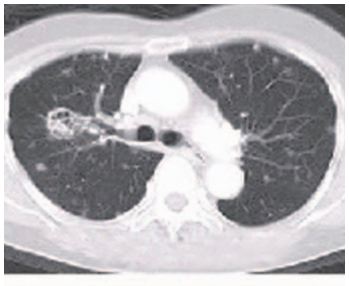
We believe that if the Fruquintinib clinical efficacy (PFS) and safety that we have seen in the Phase I study is carried through to Phase II/III, that Fruquintinib has the potential to become a major targeted therapy on both the China and global markets over the coming years with substantial global sales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

Fruquintinib Phase I 69-year old female; Advanced colon cancer

Baseline



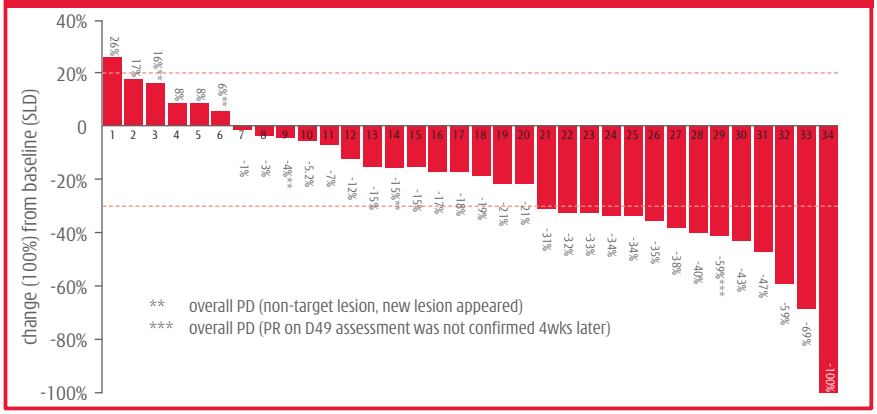
24 weeks later



	Phase I PR in Evaluable Patients (Overall Response Rate)	Phase I PR in All Patients	Phase I PR in CRC Patients
FRUQUINTINIB[1]	13/34 (38%)	13/40 (32%)	3/10 (30%)
APATINIB[2]	9/65 (13%)	9/81 (11%)	3/28 (10%)
FAMITINIB[3]	8/48 (16%)	8/51 (15%)	N/A
REGOREFANIB[7]	3/47 (6.3%)[4]		Phase 3 (1.6%)[5]
SUNITINIB[8]	18%		
SORAFENIB[9]	2%		
RAMUCIRUMAB[6]	4/27 (15%)	4/37 (11%)	0/6 (0%)

(1) Dr. Jin Li (PI for Fruquintinib Phase I trial). RECIST 1.0 used; (2) Dr. Jin Li presentation at CSCO conference 2009. RECIST 1.0 used; (3) Famitinib clinical data published in a Chinese Journal. Unclear RECIST criteria used; (4) Clin Cancer Res; 18[9] May 1, 2012. RECIST 1.0 used; (5) 2012 ASCO Gastrointestinal Cancer Symposium in San Francisco, CA; (6) Clin Oncol, 28[5]:780-787, 2010. Unclear RECIST criteria used; (7) Bayer Stivarga™; (8) Pfizer Sutent™; (9) Bayer Nexavar™.

Fruquintinib Phase I Waterfall Plot - Tumour size change vs. baseline



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

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

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

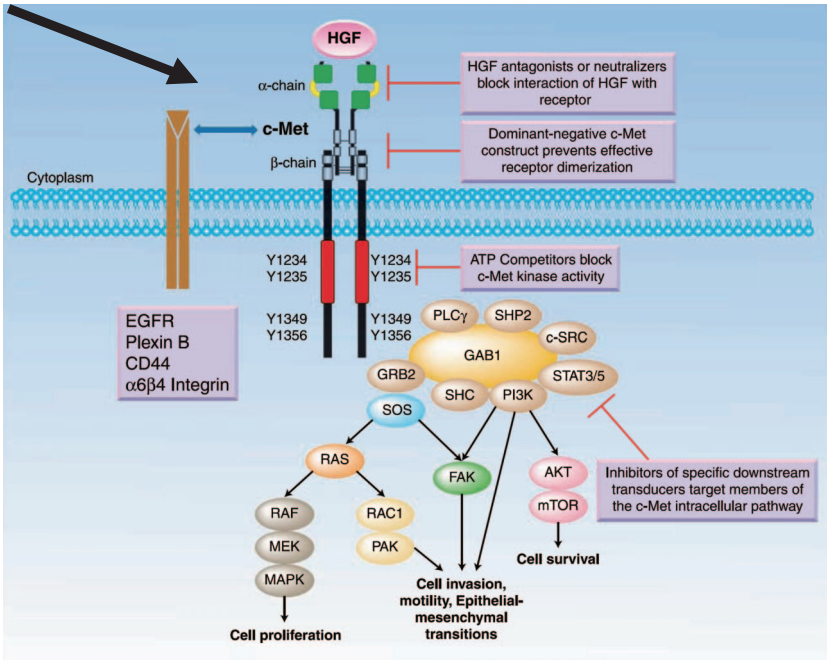
Since selective c-Met inhibitors are a new family of targeted cancer treatments, none have yet reached approval stage in the US, Europe or Asia. One of the most clinically advanced selective c-Met inhibitors is a monoclonal antibody named Onartuzumab (MetMAb™) from Roche. It is being investigated in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

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

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

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

Volitinib
Inhibitor of the c-Met receptor tyrosine kinase



Discovery programmes

Our fully integrated discovery teams in oncology and immunology made considerable progress during 2012. We staff and resource our discovery team with the objective of producing one or two new internally discovered drug candidates per year. In 2012, the discovery team progressed two highly novel small molecule drug candidates through to candidate selection stage, a PI3K-mTOR inhibitor in oncology and a SyK inhibitor in inflammation. If successful in further toxicity testing, IND submissions will be made on both these new drug candidates in 2013 or early 2014. One further HMP discovery programme against the FGFR target in oncology has been underway for over two years and we intend to reach candidate selection stage in 2013. In addition to our internal discovery activities, our collaboration with J&J in inflammation is progressing well, with a key decision point approaching in 2013. We have great expectations for the success of this very important strategic collaboration.

HMP Financing Strategy

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

Consumer Products

Consumer Products Division

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

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

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

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

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

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

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

Hutchison Hain Organic

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

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

Hutchison Consumer Products Limited

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

Sen Medicine Company

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

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

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

Current Trading and Outlook for the Group

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

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

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

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

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

Christian Hogg
Chief Executive Officer

25 March 2013

Biographical Details of Directors

1 Simon TO

Executive Director and Chairman

Mr To, aged 61, has been a Director since 2000 and an Executive Director and Chairman since 2006. He is also Chairman of the Remuneration Committee, a member of the Technical Committee and the Complaints Committee of the Company. He is managing director of Hutchison Whampoa (China) Limited ("Hutchison China") and has been with Hutchison China for over thirty years, building its business from a small trading company to a billion dollar investment group. He has negotiated major transactions with multinationals such as Procter & Gamble ("P&G"), Lockheed, Pirelli, Beiersdorf, United Airlines and British Airways.

Mr To's career in China spans more than thirty years and he is well known to many of the top Government leaders in China. Mr To is the original founder of Hutchison Whampoa Limited's ("Hutchison Whampoa") TCM business and has been instrumental in the acquisitions made to date. He received a First Class Honours Bachelor's Degree in Mechanical Engineering from Imperial College, London and an MBA from Stanford University's Graduate School of Business.

2 Christian HOGG

Executive Director and Chief Executive Officer

Mr Hogg, aged 47, has been an Executive Director and Chief Executive Officer since 2006. He is also a member of the Technical Committee and the Complaints Committee of the Company. He joined Hutchison China in 2000 and has since led all aspects of the creation, implementation and management of the Company's strategy, business and listing. This includes the creation of the Company's start-up businesses and the acquisition and operational integration of assets that led to the formation of the Company's China joint ventures.

Prior to joining Hutchison China, Mr Hogg spent ten years with P&G starting in the US in Finance and then Brand Management in the Laundry and Cleaning Products Division. Mr Hogg then moved to China to manage P&G's detergent business followed by a move to Brussels to run P&G's global bleach business. Mr Hogg received a Bachelor's degree in Civil Engineering from the University of Edinburgh and an MBA from the University of Tennessee.

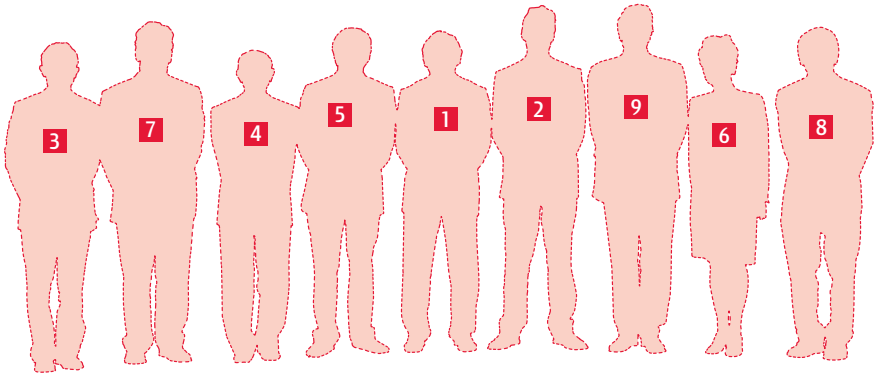
3 Johnny CHENG

Executive Director and Chief Financial Officer

Mr Cheng, aged 46, has been an Executive Director since 2011 and Chief Financial Officer of the Company since 2008. He is also a director of Hutchison MediPharma (Hong Kong) Limited, Sen Medicine Company Limited and Hutchison MediPharma Limited and was a director of Hutchison Healthcare Limited during 2009.

Prior to joining the Company, Mr Cheng was Vice President, Finance of Bristol Myers Squibb in China and was a director of Sino-American Shanghai Squibb Pharmaceuticals Ltd. and Bristol-Myers Squibb (China) Investment Co. Ltd. in Shanghai between late 2006 and 2008.

Mr Cheng started his career as an auditor with Price Waterhouse in Australia and then KPMG in Beijing before spending eight years with Nestle China where he was in charge of a number of finance and control functions in various operations. Mr Cheng received a Bachelor of Economics, Accounting Major from the University of Adelaide and is a member of the Institute of Chartered Accountants in Australia.



4 Shigeru ENDO
Non-executive Director

Mr Endo, aged 78, has been a Non-executive Director since 2008. He is chief executive officer and a director of Hutchison Whampoa Japan K.K. He worked for over 40 years with Mitsui & Co., Ltd ("Mitsui"), where he became senior executive managing director and a member of the main board of Mitsui.

Mr Endo received a Bachelor of Arts degree in Economics from Keio University. During his career, Mr Endo, a Japanese citizen and fluent English and Mandarin speaker, has managed large-scale business operations in Japan, China and the United States.

5 Christian SALBAING
Non-executive Director

Mr Salbaing, aged 63, has been a Non-executive Director since 2006. He is deputy chairman of Hutchison Whampoa (Europe) Limited, the European headquarters company of Hutchison Whampoa. He is also deputy chairman of Hutchison Whampoa Luxembourg Holdings S.à r.l., the principal holding company for the businesses of Hutchison Whampoa in Europe. Mr Salbaing was previously a partner at Freshfields Bruckhaus Deringer, an international law firm. He represents Hutchison Whampoa across its European businesses, in particular with key strategic partners of the Group, the European Commission and member governments and in relation to regulatory and public affairs matters. He is a member of the ITU Telecom Board, the GSMA Limited Board and the *Asia Task Force* set up by the UK Government in 2010.

Mr Salbaing received an LL.L. degree in Civil Law from the University of Montreal in 1970 and a Juris Doctor degree from the University of San Francisco in 1974. He is a member of the Bars of Quebec, California (inactive status since 2006) and Paris.

6 Edith SHIH
Non-executive Director and Company Secretary

Ms Shih, aged 61, has been a Non-executive Director and Company Secretary since 2006 and company secretary of Group companies since 2000. She is also a member of the Complaints Committee of the Company. She is head group general counsel and company secretary of Hutchison Whampoa, an executive director and alternate director of Hutchison Harbour Ring Limited, a company listed on The Stock Exchange of Hong Kong Limited, a director of Hutchison International Limited, as well as director and company secretary of numerous companies in the Hutchison Whampoa group. Ms Shih has been employed by Hutchison Whampoa since 1991 and oversees all legal, regulatory, compliance and corporate secretarial affairs of the Hutchison Whampoa group. Ms Shih is President of The Hong Kong Institute of Chartered Secretaries and a lay member of the Council of The Hong Kong Institute of Certified Public Accountants.

Ms Shih received a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines and a Master of Arts degree and a Master of Education degree from Columbia University, New York. Ms Shih is a qualified solicitor in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

7 Michael HOWELL
Independent Non-executive Director

Mr Howell, aged 65, has been an Independent Non-executive Director since 2006. He is also Chairman of the Audit Committee and a member of the Remuneration Committee and the Complaints Committee of the Company. From 2002 to 2006, Mr Howell was chief executive of Transport Initiatives Edinburgh Ltd., a public-sector company responsible for major transportation projects in Scotland, including a new tram system for Edinburgh. From 1998 to 2002, he was executive chairman of FPT Group Limited, a global distribution company. Mr Howell's prior career was in manufacturing, and transportation services where, after beginning his career in the UK motor industry, he went on to hold senior positions at Cummins Engine and General Electric in the USA and Europe, and Railtrack Group plc in the UK. Mr Howell holds directorships in other private and public companies in the UK and USA.

Mr Howell attended Trinity College, Cambridge receiving his Master's degree in Engineering/Economics from Cambridge University (UK), followed by MBAs from INSEAD (France) and Harvard University (USA).

8 Christopher HUANG
Independent Non-executive Director

Professor Huang, aged 61, has been an Independent Non-executive Director since 2006. He is also Chairman of the Technical Committee and a member of the Audit Committee of the Company. He is currently Professor of Cell Physiology, and Fellow and Director of Studies in Medicine at Murray Edwards College, University of Cambridge, UK. Professor Huang has spent over twenty years in academia and research in the field of cellular and systems physiology. He has authored over 280 publications in the form of monographs, books, papers and articles whilst pursuing research collaborations with major pharmaceutical companies and holding editorships of *Biological Reviews*, the *Journal of Physiology* and *Europace*.

Professor Huang completed his Bachelor's degrees in Physiological Sciences (B.A.) and Clinical Medicine (B.M., B.Ch.) at The Queen's College, Oxford, and his postgraduate (Ph.D.) degree at the University of Cambridge. He has also been awarded higher medical (D.M.) and scientific (D.Sc.) degrees by both Oxford and Cambridge. He is also a Fellow of the Society of Biology (FSB).

9 Christopher NASH
Independent Non-executive Director

Mr Nash, aged 54, has been an Independent Non-executive Director since 2006 and was appointed as Senior Independent Director in September 2006. He is also a member of the Audit Committee and the Remuneration Committee of the Company. He is a non-executive director of NTR plc and GKN Evo eDrive Systems Ltd, chairman of Gasrec Limited and a Director of Current OpenGrid Limited. Mr Nash has had over thirty years business career during which he was senior vice president and group head of strategy and corporate finance at Global Crossing Ltd., where he also served on the management board and several divisional boards. In the mid-1990s he was group head of corporate finance at Cable & Wireless Plc., and before that a director of North West Water International Ltd. Earlier in his career Mr Nash worked for S.G. Warburg and Co. Ltd. and also spent some time in the venture capital sector. During his career, Mr Nash has spent significant periods of time in Asia.

Mr Nash received a Bachelor's degree in Civil Engineering from Imperial College, London and an MBA from Manchester Business School.

Report of The Directors

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company of a healthcare group whose main country of operation is China. It engages in research, development, manufacturing and sales of pharmaceuticals, health supplements and other consumer health and personal care products derived from traditional Chinese medicine and botanical ingredients.

BUSINESS REVIEW

A detailed review of the performance, business activities and future development of the Company and its subsidiaries (the "Group") are set out in the Chairman's Statement and the Chief Executive Officer's Statement.

RESULTS

The Consolidated Income Statement is set out on page 46 and shows the Group's results for the year ended 31 December 2012.

DIVIDENDS

No interim dividend for the year ended 31 December 2012 was declared and the Directors do not recommend the payment of a final dividend for the year ended 31 December 2012.

RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 49.

NON-CURRENT ASSETS

Particulars of the movements of non-current assets of the Group are set out in notes 14 to 19 to the accounts.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the accounts.

DIRECTORS

The Directors of the Company as at 31 December 2012 were:

Executive Directors:

Mr Simon To

Mr Christian Hogg

Mr Johnny Cheng

Report of The Directors

Non-executive Directors:

Mr Shigeru Endo
Mr Christian Salbaing
Ms Edith Shih

Independent Non-executive Directors:

Mr Michael Howell
Prof Christopher Huang
Mr Christopher Nash

Mr Simon To, Mr Christian Hogg and Mr Christian Salbaing will retire by rotation at the forthcoming annual general meeting under the provisions of Article 91(1) of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

The Directors' biographical details are set out on pages 29 to 30.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2012, the interests in the shares of the Company held by the Directors and their families were as follows:

Name of Directors	Number of Ordinary Shares held
Christian Hogg	320,000
Johnny Cheng	192,108
Michael Howell	153,600
Christopher Nash	18,000
Christopher Huang	2,475

SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

(i) Share option scheme of the Company

On 4 June 2005, the Company adopted a share option scheme (the "Share Option Scheme"), the rules of which were subsequently amended by the Board of Directors of the Company on 21 March 2007. Pursuant to the Share Option Scheme, the Board of Directors of the Company may, at its discretion, offer any employees and directors (including Executive and Non-executive directors but excluding Independent Non-executive directors) of the Company, holding companies of the Company and any of their subsidiaries, and subsidiaries or affiliates of the Company options to subscribe for shares of the Company.

The following share options were outstanding under the Share Option Scheme during the year ended 31 December 2012:

Name or category of participants	Effective date of grant of share options	Number of share options held at 1 January 2012	Granted during 2012	Exercised during 2012	Expired/lapsed/ cancelled during 2012	Number of share options held at 31 December 2012	Exercise period of share options	Exercise price of share options
								£
Directors								
Christian Hogg	19.5.2006 [1], [2]	768,182	-	-	-	768,182	19.5.2006 to 3.6.2015	1.090
Johnny Cheng	25.8.2008 [3]	256,146	-	(192,108)	-	64,038	25.8.2008 to 24.8.2018	1.260
Employees in aggregate	19.5.2006 [1], [2]	128,030	-	(51,212)	-	76,818	19.5.2006 to 3.6.2015	1.090
	11.9.2006 [2]	80,458	-	(53,650)	-	26,808	11.9.2006 to 18.5.2016	1.715
	18.5.2007 [4]	52,182	-	(8,325)	-	43,857	18.5.2007 to 17.5.2017	1.535
	28.6.2010 [3]	102,628	-	-	-	102,628	28.6.2010 to 27.6.2020	3.195
	1.12.2010 [3]	227,600	-	-	-	227,600	1.12.2010 to 30.11.2020	4.967
	24.6.2011 [3]	150,000	-	-	-	150,000	24.6.2011 to 23.6.2021	4.405
Total:		1,765,226	-	(305,295)	-	1,459,931		

Notes:

(1) The share options were granted on 4 June 2005, conditionally upon the Company's admission which took place on 19 May 2006.

(2) The share options granted to certain founders of the Company are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009. The share options granted to non-founder of the Company are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.

(3) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.

(4) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.

(ii) Share option scheme for existing shares of Hutchison MediPharma Holdings Limited ("HMHL")

On 6 August 2008, HMHL, a subsidiary of the Company, adopted a share option scheme (the "HMHL Share Option Scheme"), the rules of which were subsequently amended by the Board of Directors of HMHL on 15 April 2011, as the sole share-based incentive programme for the employees of Hutchison MediPharma Limited, an indirect wholly-owned subsidiary of HMHL. Pursuant to the HMHL Share Option Scheme, any employee or director of HMHL and any of its subsidiaries and affiliates is eligible to participate in the HMHL Share Option Scheme and options may be granted to eligible participants to acquire existing shares in HMHL subject to the rules of the HMHL Share Option Scheme.

Report of The Directors

The following share options were outstanding under the HMHL Share Option Scheme during the year ended 31 December 2012:

Category of participants	Effective date of grant of share options	Number of share options held at 1 January 2012	Granted during 2012	Exercised during 2012	Expired/lapsed/ cancelled during 2012	Number of share options held at 31 December 2012	Exercise period of share options	Exercise price of share options US$
Employees in aggregate	6.8.2008 [1]	1,984,750	-	-	(741,750)	1,243,000	6.8.2008 to 5.8.2014	1.28
	5.10.2009 [1]	310,500	-	-	(76,500)	234,000	5.10.2009 to 4.10.2015	1.52
	1.2.2010 [1]	90,000	-	-	(90,000)	-	1.2.2010 to 31.1.2016	2.06
	3.5.2010 [1]	360,000	-	-	-	360,000	3.5.2010 to 2.5.2016	2.12
	2.8.2010 [1]	266,000	-	-	(60,000)	206,000	2.8.2010 to 1.8.2016	2.24
	22.11.2010 [1]	240,000	-	-	-	240,000	22.11.2010 to 21.11.2016	2.36
	18.4.2011 [1]	799,357	-	-	(236,972)	562,385	18.4.2011 to 17.4.2017	2.36
	17.10.2012 [1]	N/A	299,120	-	-	299,120	17.10.2012 to 16.10.2018	2.73
Total:		4,050,607	299,120	-	(1,205,222)	3,144,505		

Note:

(1) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.

SIGNIFICANT SHAREHOLDINGS

As at 26 March 2013, being the latest practicable date prior to the publication of this report, according to the records of the Company, the following holders held interests in 3% or more of the issued share capital of the Company:-

Names	Number of Ordinary Shares held	Approximate % of Issued Share Capital
Hutchison Healthcare Holdings Limited [1] ("HHHL")	36,666,667	70.44%
Computershare Company Nominees Limited [2] ("CCNL")	15,297,660	29.39%
Depositary Interest held under CCNL:		
Chase Nominees Limited	*2,809,440*	*5.40%*
Slater Investments Limited [3]	3,602,441	6.92%
FIL Limited [3]	2,640,514	5.07%

Notes:

(1) HHHL is a private company registered in the British Virgin Islands and carries on business as a holding company. HHHL is an indirect wholly-owned subsidiary of Hutchison Whampoa Limited which is registered in Hong Kong.

(2) CCNL is a company registered in Scotland, United Kingdom under company number SC167175 and is acting as the custodian of the depository interests register.

(3) Major interests in shares of the Company notified to the Company under the Vote Holder and Issuer Notification Rules of the Disclosure Rules and Transparency Rules.

AUDITOR

The accounts have been audited by PricewaterhouseCoopers who will retire and, being eligible, will offer themselves for re-appointment.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on Friday, 10 May 2013 at 10:00 am (UK time) at 4th Floor, Hutchison House, 5 Hester Road, Battersea, London. Details of the resolutions proposed are set out in the Notice of the AGM.

By Order of the Board

Edith Shih
Director and Company Secretary

25 March 2013

Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the "Group") as it believes that effective corporate governance practices are fundamental to safeguarding shareholder interests and enhancing shareholder value. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal control, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture. The Company has applied the principles of the UK Corporate Governance Code (the "Code") notwithstanding that the Company's shares are admitted to trade on the Alternative Investment Market ("AIM"), and it is therefore not required to comply with the Code.

Set out below are the corporate governance practices adopted by the Company.

THE BOARD

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company. The Board is satisfied that it meets the Code's requirement for effective operation.

The Board, led by the Chairman, Mr Simon To, approves and monitors the Group's long term objectives and commercial strategies, annual operating and capital expenditure budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company (the "Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

As at 31 December 2012, the Board comprised nine Directors, including the Executive Chairman, Chief Executive Officer, Chief Financial Officer, three Non-executive Directors and three Independent Non-executive Directors (one of whom is Senior Independent Director). Biographical details of the Directors are set out in the "Biographical Details of Directors" section on pages 29 to 30 and on the Company's website (www.chi-med.com).

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements of the Code.

The role of the Chairman is separate from that of the Chief Executive Officer. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman is responsible for the effective conduct of the Board, ensuring that it as a whole plays an effective role in the development and determination of the Group's strategy and overall commercial objectives and acts as the guardian of the Board's decision-making processes. He is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors. He also ensures that the Board receives accurate, timely and clear information on the Group's performance, the issues, challenges and opportunities facing the Group and matters reserved to it for decision. With the support of the Executive Directors and the Company Secretary, the Chairman ensures that the Board complies with approved procedures, including the schedule of Reserved Matters to the Board for its decision and Terms of Reference of all Board Committees. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders, as outlined later in the report.

The Chief Executive Officer, Mr Christian Hogg, is responsible for managing the businesses of the Group, formulating and developing the Group's strategy and overall commercial objectives in close consultation with the Chairman and the Board. With the executive team, the Chief Executive Officer implements the decisions of the Board and its Committees. He maintains an ongoing dialogue with the Chairman to keep him fully informed of all major business development and issues. He is also responsible for ensuring that the development needs of senior management reporting to him are identified and met as well as leading the communication programme with shareholders.

The Board meets regularly. Between scheduled meetings, senior management of the Group provides information to Directors on a regular basis with respect to the activities and development of the Group. Throughout the year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

With respect to regular meetings of the Board, Directors receive written notice of the meetings generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

The Company held six Board meetings in 2012 with 100% attendance of its members.

Position	Name of Directors	Attended/Eligible to attend
Executive Chairman	Simon To	6/6
Executive Directors:	Christian Hogg *(Chief Executive Officer)*	6/6
	Johnny Cheng *(Chief Financial Officer)*	6/6
Non-executive Directors:	Shigeru Endo	6/6
	Christian Salbaing	6/6
	Edith Shih	6/6
Independent Non-executive Directors:	Michael Howell	6/6
	Christopher Huang	6/6
	Christopher Nash	6/6

In addition to Board meetings, the Chairman held two meetings with Non-executive Directors without the presence of the Executive Directors, with full attendance, to review the performance of the Executive Directors. The Senior Independent Director, Mr Christopher Nash, also held a meeting with all Non-executive Directors without the presence of the Chairman, with full attendance, for the appraisal of the Chairman's performance.

In addition, evaluation of the performance of the Board and its Committees together with the Chairman of each Committee was conducted by questionnaires. The objective of such evaluation is to ensure that the Board, its Committees and the Chairman of each Committee continued to act effectively in fulfilling the duties and responsibilities expected of them.

Corporate Governance Report

All Non-executive Directors are engaged on service contracts which are automatically renewed for successive 12 month periods unless terminated by written notice given by either party. The Chairman of the Board is of the view that the performance of each of the Non-executive Directors continues to be effective and they all demonstrate commitment to their role as a Non-executive Director. All Directors are subject to re-election by shareholders at annual general meetings and at least once every three years on a rotation basis in accordance with the Articles of Association of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. Save as mentioned herein, there are no existing or proposed service contracts between any of the Directors and the Company which cannot be terminated by the Company within 12 months without payment of compensation. Where vacancies arise at the Board, candidates are proposed and put forward to the Board for consideration and approval, with the objective of appointing to the Board individuals with expertise in the businesses of the Group and leadership qualities to complement the capabilities of the existing Directors thereby enabling the Company to retain as well as improve its competitive position.

Upon appointment to the Board, the Director receives a package of orientation materials on the Group and is provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to Directors regularly to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

BOARD COMMITTEES

The Company has established four permanent board committees: an Audit Committee, a Remuneration Committee, a Technical Committee and a Complaints Committee, details of which are described later in this report. Other board committees are established by the Board as and when warranted to take charge of specific duties.

COMPANY SECRETARY

The Company Secretary, Ms Edith Shih, is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive agendas and papers.

The Company Secretary is responsible for ensuring that the Board is fully apprised of the relevant legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of significance and interest and disseminate relevant reference materials to the Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the AIM Rules for Companies ("AIM Rules"), including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the AIM Rules, the timely dissemination to shareholders and the market of announcements and information relating to the Group and assisting in the notification of Directors' dealings in securities of the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests and dealings in the Company's securities, related party transactions and price-sensitive information and ensures that the standards and disclosures required by the AIM Rules are observed and, where required, reflected in the Report of the Directors in the annual report of the Company. In relation to related party transactions, detailed analyses are performed on all potential related party transactions to ensure full compliance and for Directors' consideration.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 45 which acknowledges the reporting responsibility of the Group's Auditor.

Annual Report and Accounts

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company, ensuring that the financial statements give a fair presentation in accordance with Cayman Islands Companies Law and the applicable accounting standards.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Audit Committee

Under the terms of reference of the Audit Committee, the Audit Committee is required to review the Group's interim and final results and interim and annual financial statements, oversee the relationship between the Company and its external auditor, monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management systems giving due consideration to laws and regulations and the provisions of the Code. The Committee is authorised to obtain, at the Company's expense, external legal or other professional advice on any matters within its terms of reference.

In addition, the Audit Committee assists the Board in meeting its responsibility for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It receives and considers the presentations of Management in relation to the review on the effectiveness of the Group's internal control systems and the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting function, as well as their training programmes and budget. In addition, it reviews with the internal auditor of the Group's holding company the work plan for their audits for the Group together with their resource requirements and considers the report of the Group's internal auditor to the Audit Committee on the effectiveness of internal controls in the Group business operations. Further, it also receives the report from the Company Secretary on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

The Terms of Reference for the Audit Committee adopted by the Board is published on the Company's website.

The Audit Committee comprises three Independent Non-executive Directors who possess the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Michael Howell with Professor Christopher Huang and Mr Christopher Nash as members. None of the Committee Members is related to the Company's external auditor.

The Audit Committee held three meetings in 2012 with 100% attendance of its members.

Name of Members	Attended/Eligible to attend
Michael Howell *(Chairman)*	3/3
Christopher Huang	3/3
Christopher Nash	3/3

Corporate Governance Report

The Audit Committee meets with the Chief Financial Officer and other senior management of the Company from time to time to review the interim and final results and the interim report and annual report and other financial, internal control and risk management matters of the Company. It considers and discusses the reports and presentations of Management and the Group's internal and external auditors, with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards. It also meets with the Group's principal external auditor, PricewaterhouseCoopers ("PwC"), to consider their reports on the scope, strategy, progress and outcome of their independent review of the interim financial report and their annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, the Chief Financial Officer and internal auditor separately without the presence of Management.

External Auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. It receives each year the letter from the external auditor confirming their independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of PwC for the various services listed below is as follows:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditor.

- Audit related services – include services that would normally be provided by an external auditor but not generally included in the audit fees, for example, audits of the Group's pension plans, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must, or is best placed, to undertake in its capacity as auditor.

- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – include, for example, audits or reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the Group's internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

For the year ended 31 December 2012, all the fees paid to PwC were for audit services.

INTERNAL CONTROL, LEGAL AND REGULATORY CONTROL AND GROUP RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and assessment and management of risks.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, review by the Board of actual results against budget, review by the Audit Committee of the ongoing work of the Internal Audit Department of the Group's holding company and risk management functions, as well as regular business reviews by Executive Directors and the executive management team of each core business division.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses or fraud.

Internal Control Environment and Systems

Executive Directors are appointed to the boards of all material operating subsidiaries and associates for monitoring those companies, including attendance at board meetings, review and approval of business strategies, budgets and plans, and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

The Group's internal control procedures include a comprehensive system for reporting information to the executive management team of each core business division and the Executive Directors.

Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by both the executive management team and the Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each business and discuss with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, financial controllers of the executive management team of each of the major business division discuss with the representatives of the Finance Department to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Finance Department has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Finance Department or Executive Directors are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The General Manager of the Internal Audit Department of the Group's holding company, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations in various countries. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal Audit Department of the Group's holding company is responsible for assessing the Group's internal control systems, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Chief Executive Officer, the Chief Financial Officer and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditor so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the General Manager of the Internal Audit Department of the Group's holding company and, as appropriate, to the Chief Financial Officer. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2012 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget.

Corporate Governance Report

Legal and Regulatory Control

The Legal Department of the Group, with the assistance of the legal team of its holding company, has the responsibility of safeguarding the legal interests of the Group. The team is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial documentation of Group companies, working in conjunction with finance, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management of legal and commercial issues of concern. In addition, the Group Legal Department is also responsible for overseeing regulatory (business and AIM) compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response to relevant regulatory and/or government consultations. It also determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are maintained as well as most cost effective services are rendered. Further, the Group Legal Department organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for its legal counsels.

Having regard to the recent changes and developments of the regulatory and legal requirements relevant to the Group, the Board had updated or established various policies and procedures in areas including handling of confidential and price-sensitive information, securities dealing and prevention of bribery and corruption.

Group Risk Management

The Chief Executive Officer and the Group Risk Management Department of the Group's holding company have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The Group Risk Management Department of the Group's holding company, working with the business operations worldwide, is responsible for arranging appropriate insurance coverage and organising Group-wide risk reporting. Directors and Officers Liability Insurance is also in place to protect Directors and officers of the Group against their potential legal liabilities.

Workplace Safety

The Group is committed to providing a healthy and safe workplace for all its employees and complying with all applicable health and safety laws and regulations. Health and safety considerations are incorporated into the design, operations and maintenance of the Group's premises. Employees are provided appropriate job skills and safety training and are educated with regard to their responsibilities for achieving the health and safety objectives of the Group. The Group also communicates with its employees on occupational health and safety issues.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy across the Group's substantial, diverse and international business operations. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies including assessing the performance of Executive Directors and senior executives of the Group and determining their remuneration packages.

The Terms of Reference for the Remuneration Committee adopted by the Board is published on the Company's website.

The Remuneration Committee comprises three members, chaired by the Chairman Mr Simon To with Messrs Michael Howell and Christopher Nash, both Independent Non-executive Directors, as members who possess experience in human resources and personnel emoluments. Mr To has experience in the traditional Chinese medicine industry as well as expertise in human resources and personnel in China. The Remuneration Committee meets towards the end of each year for the determination of the remuneration package of Executive Directors and senior management of the Group and during the year to consider share options grant and other remuneration related matters.

The Remuneration Committee held one meeting in 2012 with 100% attendance of its members to review background information on market data (including economic indicators, statistics and the Remuneration Bulletin) and headcount and staff costs. The Remuneration Committee also reviewed and approved the proposed 2013 directors' fees, year end bonus and 2013 remuneration package of Executive Directors and senior executives of the Company and made recommendation to the Board on the directors' fees for Non-executive Directors. Executive Directors do not participate in the determination on their own remuneration.

Remuneration Policy

The remuneration of Messrs Christian Hogg and Johnny Cheng, the Executive Directors, and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Senior management also participates in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance. The Chairman, Mr Simon To, does not receive performance related remuneration from the Company and is remunerated through his service agreement. All Non-executive Directors have entered into service agreements with the Company and are remunerated with fixed fees as determined by the Board.

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The emoluments of each of the Directors exclude amounts received from the subsidiaries of the Company and paid to a subsidiary or an intermediate holding company of the Company. The amounts paid to each Director for 2012 are as below:

Name of Directors	Salary and fees	Bonus	Taxable benefits	Pension contributions	Share option benefits	Total
	US$	US$	US$	US$	US$	US$
Executive Directors:						
Simon To	19,808[1][5]	-	-	-	-	19,808
Christian Hogg	330,706[2][5]	551,282	14,434	22,151	-[6]	918,573
Johnny Cheng	252,045[3]	192,308	-	19,301	9,886[7]	473,540
Non-executive Directors:						
Shigeru Endo	19,808[4]	-	-	-	-	19,808
Christian Salbaing	19,808[1]	-	-	-	-	19,808
Edith Shih	19,808[4][5]	-	-	-	-	19,808
Independent Non-executive Directors:						
Michael Howell	52,292	-	-	-	-	52,292
Christopher Huang	52,292	-	-	-	-	52,292
Christopher Nash	52,292	-	-	-	-	52,292
Aggregate emoluments	**818,859**	**743,590**	**14,434**	**41,452**	**9,886**	**1,628,221**

Notes:

(1) Such Director's fees were paid to Hutchison Whampoa (China) Limited.

(2) Emoluments paid include Director's fees of US$19,808.

(3) Emoluments paid include Director's fees of US$19,808.

(4) Such Director's fees were paid to Hutchison Whampoa Limited.

(5) Director's fees received from the subsidiaries of the Company during the period he/she served as director that were paid to a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

(6) The fair value of share options granted to the Executive Director had been fully recognised as expenses in past few years and no such expenses is recognised in 2012.

(7) Share option benefits represent the fair value of share options granted under the Company's share option scheme, which is calculated in accordance with the methodology disclosed in note 2(v)(ii) to the accounts. This methodology does not take into account of the actual share price at the date of exercise and whether the share options have been exercised. The significant inputs to the valuation model are disclosed in note 23(b)(i) to the accounts and details of the share options granted are set out on pages 33 and 83 of this Annual Report.

TECHNICAL COMMITTEE

The Technical Committee comprises three members, chaired by Professor Christopher Huang with Messrs Simon To and Christian Hogg, both Executive Directors, as members. The Technical Committee members consider from time to time matters relating to the technical aspects of the business and in research and development. It also invites such executives as it thinks fit to attend meetings as and when required.

Corporate Governance Report

The Terms of Reference for the Technical Committee adopted by the Board is published on the Company's website.

The Technical Committee held one meeting in 2012 with 100% attendance of its members.

COMPLAINTS COMMITTEE

The Complaints Committee comprises Messrs Simon To, Christian Hogg, Michael Howell and Edith Shih as members. The Complaints Committee was established mainly for processing complaints and concerns that could be raised anonymously by employees of the Group regarding the business and operations of the Group through a dedicated phone line and website. The members also monitor the investigative actions taken by the Company and the outcome of investigations.

CODE OF ETHICS

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is provided with the Group's Code of Ethics booklet, and all employees are expected to achieve the highest standards set out in the Code of Ethics including avoiding conflict of interest, discrimination or harassment and bribery etc. The employees are required to report any non-compliance with the Code of Ethics to the Management.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Group actively promotes investor relations and communication with the investment community when the interim and year end financial results are announced and during the course of the year. Through its Chairman and Chief Executive Officer, the Group responds to requests for information and queries from the investment community including institutional shareholders, analysts and the media through regular briefing meetings, conference calls and presentations. The other Directors, including Non-executive Directors, develop an understanding of the views of the major shareholders about the Company by periodic meetings on the subject with the Chairman and the Chief Executive Officer.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, interim and annual reports. An updated version of the Memorandum and Articles of Association of the Company is published on the Company's website. Moreover, additional information on the Group is also available to shareholders through the Investor Relations page on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 20 working days' notice is given and at which the Chairman and Directors are available to answer questions on the Group's businesses. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary a written request for such general meetings together with the proposed agenda items. Regularly updated financial, business and other information on the Group is made available on the Company's website for shareholders.

The latest shareholders' meeting of the Company was the 2012 Annual General Meeting which was held on 11 May 2012 at 4th Floor, Hutchison House, 5 Hester Road, Battersea, London attended by PwC and all the Directors including the Chairman of the Board, Audit Committee, Remuneration Committee and Technical Committee with 100% attendance. The Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from attending such meetings.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Company Secretary by mail/e-mail or to the Company by e-mail at info@chi-med.com.

By Order of the Board

Edith Shih
Director and Company Secretary

25 March 2013

Independent Auditor's Report

TO THE SHAREHOLDERS OF HUTCHISON CHINA MEDITECH LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated accounts of Hutchison China MediTech Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 96, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated accounts

The directors of the Company are responsible for the preparation and fair presentation of consolidated accounts in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Continuing operations			
Revenue	5	**195,392**	165,029
Cost of sales		**(99,400)**	(73,921)
Gross profit		**95,992**	91,108
Selling expenses		**(62,681)**	(54,198)
Administrative expenses		**(35,730)**	(31,200)
Other net operating income	6 (a)	**3,054**	1,075
Gain on disposal of a business	6 (b)	**11,476**	-
Operating profit	7	**12,111**	6,785
Finance costs	8	**(1,208)**	(561)
Profit before taxation		**10,903**	6,224
Taxation charge	9	**(4,162)**	(3,142)
Profit for the year from continuing operations		**6,741**	3,082
Discontinued operation			
Loss for the year from discontinued operation	10	**(3,201)**	(1,397)
Profit for the year		**3,540**	1,685
Attributable to:			
Equity holders of the Company			
– Continuing operations		**6,839**	2,107
– Discontinued operation		**(3,201)**	(1,397)
		3,638	710
Non-controlling interests		**(98)**	975
		3,540	1,685
Earnings per share for profit from continuing operations attributable to equity holders of the Company for the year (US$ per share)			
– basic	11(a)	**0.1317**	0.0407
– diluted	11(b)	**0.1299**	0.0400
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company for the year (US$ per share)			
– basic	11(a)	**0.0701**	0.0137
– diluted	11(b)	**0.0691**	0.0135

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2012

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

Consolidated Statement Of Financial Position

As at 31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**22,848**	23,277
Leasehold land	15	**10,440**	6,175
Goodwill	16	**8,311**	8,248
Other intangible assets	17	**15,585**	14,858
Investment in an associated company	18	**32**	31
Deferred tax assets	19	**1,639**	1,550
		58,855	54,139
Current assets			
Inventories	20	**25,318**	28,720
Trade and bills receivables	21	**44,343**	51,573
Other receivables and prepayments		**3,940**	5,063
Amount due from a related party	32	**15,000**	1,516
Cash and bank balances	22	**62,009**	53,763
		150,610	140,635
Total assets		**209,465**	194,774
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	23	**52,048**	51,743
Reserves		**18,530**	13,042
		70,578	64,785
Non-controlling interests		**13,070**	12,545
Total equity		**83,648**	77,330
LIABILITIES			
Current liabilities			
Trade payables	24	**18,897**	16,451
Other payables, accruals and advance receipts	25	**43,715**	35,568
Amounts due to related parties	32	**6,303**	5,345
Bank borrowings	26	**11,202**	30,038
Current tax liabilities		**951**	1,074
		81,068	88,476
Non-current liabilities			
Deferred income	27	**2,692**	6,919
Deferred tax liabilities	19	**2,667**	1,911
Convertible preference shares	28	**12,467**	20,138
Bank borrowing	26	**26,923**	-
Total liabilities		**125,817**	117,444
Total equity and liabilities		**209,465**	194,774

Simon To
Director

Christian Hogg
Director

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	General reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2011	51,743	92,955	3,854	5,239	488	(94,727)	59,552	9,254	68,806
Profit for the year	-	-	-	-	-	710	710	975	1,685
Other comprehensive income:									
Exchange translation differences	-	-	-	3,411	-	-	3,411	433	3,844
Total comprehensive income for the year (net of tax)	-	-	-	3,411	-	710	4,121	1,408	5,529
Share-based compensation expenses	-	-	1,112	-	-	-	1,112	-	1,112
Transfer between reserves	-	-	(218)	-	8	210	-	-	-
Loan from a non-controlling shareholder of a subsidiary (Note 32(b))	-	-	-	-	-	-	-	2,000	2,000
Capital contribution from a non-controlling share holder of a subsidiary of a jointly controlled entity	-	-	-	-	-	-	-	1,024	1,024
Dividend paid to a non-controlling shareholder of a subsidiary (Note 32(a))	-	-	-	-	-	-	-	(1,141)	(1,141)
As at 31 December 2011	51,743	92,955	4,748	8,650	496	(93,807)	64,785	12,545	77,330
As at 1 January 2012	**51,743**	**92,955**	**4,748**	**8,650**	**496**	**(93,807)**	**64,785**	**12,545**	**77,330**
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**3,638**	**3,638**	**(98)**	**3,540**
Other comprehensive income:									
Exchange translation differences	**-**	**-**	**-**	**730**	**-**	**-**	**730**	**84**	**814**
Total comprehensive income/(loss) for the year (net of tax)	**-**	**-**	**-**	**730**	**-**	**3,638**	**4,368**	**(14)**	**4,354**
Issue of shares (Note 23)	**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 (Note 32(b))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,000**	**1,000**
Capital contribution from a non-controlling shareholder of a subsidiary of a jointly controlled entity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**77**	**77**
Dividend paid to a non-controlling shareholder of a subsidiary (Note 32(a))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(538)**	**(538)**
As at 31 December 2012	**52,048**	**93,669**	**4,974**	**9,380**	**496**	**(89,989)**	**70,578**	**13,070**	**83,648**

Consolidated Statement Of Cash Flows

For the year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Net cash generated from operations	29(a)	**19,909**	9,059
Interest received		**578**	135
Finance costs paid		**(1,208)**	(561)
Income tax paid		**(3,618)**	(3,297)
Net cash generated from operating activities		**15,661**	5,336
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,533)**	(2,754)
Purchase of leasehold land		**(4,357)**	-
Purchase of trademarks and patents		**(22)**	(2)
Payments for development costs		**(4,169)**	(3,548)
Proceeds from disposal of property, plant and equipment		**26**	2
Acquisition of additional interest in a jointly controlled entity	29(b)	**-**	(48)
Acquisition of an associated company by a jointly controlled entity	18	**-**	(31)
Net cash acquired from the acquisition of a subsidiary by a jointly controlled entity	29(c)	**-**	465
Capital contribution from non-controlling shareholders of a subsidiary of jointly controlled entity	29(c)	**77**	-
Net cash used in investing activities		**(11,978)**	(5,916)
Cash flows from financing activities			
Decrease in amount due from a non-controlling shareholder of a subsidiary		**1,516**	1,494
Decrease in amount due to a non-controlling shareholder of a subsidiary		**-**	(13)
Dividend paid to a non-controlling shareholder of a subsidiary		**(538)**	(1,141)
Loan from a non-controlling shareholder of a subsidiary		**1,000**	2,000
New long-term bank loans		**26,923**	6,484
Repayment of short-term bank loans		**(18,836)**	(946)
Net proceeds from issuance of ordinary shares		**629**	-
Buy back of convertible preference shares	28	**(6,519)**	-
Net cash generated from financing activities		**4,175**	7,878
Net increase in cash and cash equivalents		**7,858**	7,298
Cash and cash equivalents at 1 January		**53,763**	45,310
Exchange differences		**388**	1,155
Cash and cash equivalents at 31 December		**62,009**	53,763
Analysis of cash and cash equivalents			
- Cash and bank balances	22	**62,009**	53,763

Notes To The Accounts

1 GENERAL INFORMATION

Hutchison China MediTech Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in the manufacturing, distribution and sales of traditional Chinese medicine ("TCM") and healthcare products. The Group is also engaged in carrying out pharmaceutical research and development. The Group and its jointly controlled entities have manufacturing plants in Shanghai and Guangzhou in the People's Republic of China (the "PRC") and sell mainly in the PRC, United Kingdom ("UK"), France and Hong Kong. During the year, the Group had discontinued its consumer products operation in UK as detailed in Note 10.

The Company was incorporated in the Cayman Islands on 18 December 2000 as an exempted company with limited liability under the Companies Law (2000 Revision), Chapter 22 of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company's ordinary shares were admitted to trading on the Alternative Investment Market operated by the London Stock Exchange plc. These consolidated accounts are presented in thousands of United States dollars ("US$'000"), unless otherwise stated, and were approved for issue by the Board of Directors on 25 March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 except that certain financial assets and liabilities (including derivative instruments) are measured at fair values, as appropriate.

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 2012. The adoption of these new and revised standards, amendments and interpretations did not have any material effect on the Group's results of operations or financial position.

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts of the Company and all its direct and indirect subsidiaries made up to 31 December and also incorporate the Group's interests in jointly controlled entities and an associated company on the basis set out in Notes 2(d) and 2(e) below.

The accounting policies of subsidiaries, jointly controlled entities and an associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Non-controlling interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries and subsidiaries of jointly controlled entities.

(b) Subsidiaries

A subsidiary is an entity that the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

The consolidated accounts of the Group include the accounts of the Company and all its direct and indirect subsidiaries made up to 31 December and also incorporate the Group's interests in jointly controlled entities and an associated company on the basis set out in Notes 2(d) and 2(e) below.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries (Continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised as other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised as other comprehensive income are reclassified to income statement.

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Jointly controlled entities

Jointly controlled entities are joint ventures in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the other venturers undertake an economic activity which is subject to joint control and none of the venturers have unilateral control over the economic activity.

The Group's interests in jointly controlled entities are accounted for by using proportionate consolidation. Under this method, the Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated accounts from the date that joint control commences until the date that joint control ceases.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the Group's purchase of assets from the jointly controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(e) Associated company

An associated company is an entity, other than a subsidiary or a jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The Group's interest in an associated company is accounted for by using the equity method, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5, "Non-current assets held for sale and discontinued operations". The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency translation

Items included in the accounts of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and most of its principal subsidiaries, jointly controlled entities and associated company is Renminbi ("RMB") whereas the consolidated accounts are presented in United States dollars ("US dollars"), which is the Company's presentation currency, as the Company holds investments in various countries and US dollars is considered as a common currency.

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at end of the reporting period. Exchange differences are included in the determination of income statement.

The accounts of the Company, overseas subsidiaries and jointly controlled entities are translated into the Company's presentation currency using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised directly in the consolidated statement of comprehensive income.

On consolidation, exchange differences arising from the translation of the net investments in foreign operations are recognised directly in the consolidated statement of comprehensive income. When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

Exchange differences arising from translation of inter-company loan balances among the Group's companies and jointly controlled entities are taken to the exchange reserve when such loans form part of the Group's net investment in a foreign entity. When such loans are repaid, the related exchange gains or losses are transferred out of the exchange reserve and are recognised in the consolidated income statement.

(g) Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price of the asset and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives. The principal annual rates are as follows:

Buildings	20-30 years
Leasehold improvements	Over the unexpired period of the lease or 3-5 years, whichever is shorter
Plant and equipment	10 years
Furniture and fixtures, other equipment and motor vehicles	4-5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(m)).

Gains and losses on disposals are determined by comparing net sales proceeds with the carrying amount of the relevant assets and are recognised in income statement.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Construction in progress

Construction in progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2(g).

(i) Leasehold land

Leasehold land is stated at cost less accumulated amortisation and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 years from the date the respective right was granted. Amortisation of leasehold land is calculated on a straight-line basis over the period of the land use rights.

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled entity or associated company at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition is retained at the carrying amount as a separate asset, and subject to impairment test annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or jointly controlled entity, the difference is recognised directly in the consolidated income statement.

The profit or loss on disposal of a subsidiary or jointly controlled entity is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(k) Trademarks, patents and others

Trademarks, patents and others have definite useful lives and are carried at historical cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of trademarks, patents and others over their estimated useful lives of four to ten years.

(l) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will generate future economic benefits by considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised (if any) are amortised on a straight-line basis over the period of expected benefit not exceeding five years. The capitalised development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount.

Where the research phase and the development phase of an internal project cannot be clearly distinguished, all expenditure incurred on the project is charged to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of assets

Assets that have an indefinite useful life are tested for impairment annually. Assets are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement.

(n) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. These investments are initially recognised in the statement of financial position at fair value plus transaction costs and measured at each subsequent reporting date at fair value, except for equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less impairment losses. Changes in fair value are dealt with as movements in reserve except for impairment losses which are charged to the income statement. Dividends from available-for-sale financial assets are recognised when the right to receive payment is established. When available-for-sale financial assets are sold, the cumulative fair value gains or losses previously recognised in reserve is recognised in the income statement.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the asset is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade and other payables) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(t) Convertible preference shares

A subsidiary of the Group has issued convertible preference shares that are convertible to ordinary shares of the subsidiary, the number of which varies subject to conditions, as set out in the relevant agreements, that are ultimately linked to the value of the unquoted ordinary shares of the subsidiary that issued the instruments. The convertible preference shares have no maturity date, no obligation to pay dividends nor to be redeemed for cash but can be required to be settled by the delivery of the unquoted ordinary shares of the subsidiary concerned. The contractual obligation to issue a variable number of ordinary shares means that the instruments do not meet the definition of an equity instrument and consequently the convertible preference shares are financial liabilities that are recognised initially at fair value being the transaction price. As the variability in the range of reasonable fair value estimates of the unquoted ordinary shares of the subsidiary is significant and the probabilities of the various estimates cannot be reasonably assessed, it is not possible to measure the fair value of the ordinary shares of the subsidiary reliably, and hence for the fair value of the convertible preference shares that are linked to that value. Consequently, these instruments are measured at cost. If a reliable fair value becomes available for the convertible preference shares they will be measured at fair value and the difference between their carrying amount and fair value at that time, and subsequently, will be recognised in the income statement.

(u) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(v) Employee benefits

(i) Pension plans

The Group operates various defined contribution plans. The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs are charged against the income statement within employee benefit expenses.

The pension plans are generally funded by the relevant group companies and by payments from employees of the contributory plans.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

(ii) Share-based payments

The Group operates certain equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted: i) including any market performance conditions; ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and iii) including the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share-based compensation reserve will be transferred to retained profits.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(x) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the leases.

(y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(z) Government incentives

Incentives from government are recognised at their fair values where there is a reasonable assurance that the incentives will be received and all attached conditions will be complied with. Government incentives relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Revenue and income recognition

Revenue comprises the fair value of the consideration received and receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, volume rebates and discounts after eliminated sales within the Group. Revenue and income are recognised as follows:

(i) Sales of goods - wholesales

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Sales of goods - retail

Sales of goods are recognised at the point of sales less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction. Such fees are included in selling expenses.

(iii) Other service income

Other service income is recognised when services are rendered.

(iv) Income from research and development projects

Income from the provision of pharmaceutical research and development service is recognised when services are rendered.

The Group receives payment from third parties under the licensing, co-development and commercialisation agreement. Considerations for development services are initially reported as deferred income and are recognised as revenue over the period of each development phase by using the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated development costs for each development phase, contractual milestone or performance.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the date of authorisation of these consolidated accounts, the following standards, amendments and interpretations were in issue but not yet effective and have not been early adopted by the Group:

IAS 1 (Amendment) [1]	Presentation of Financial Statements
IAS 19 (Amendment) [1]	Employee Benefits
IAS 27 (Revised 2011) [1]	Separate Financial Statements
IAS 28 (Revised 2011) [1]	Associates and Joint Ventures
IAS 32 (Amendments) [2]	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
IFRS 1 (Amendment) [1]	First time adoption – Government Loans
IFRS 7 (Amendment) [1]	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
IFRS 9 [3]	Financial Instruments
IFRS 7 and IFRS 9 (Amendments) [3]	Mandatory Effective Date and Transition Disclosures
IFRS 10 [1]	Consolidated Financial Statements
IFRS 11 [1]	Joint Arrangements
IFRS 12 [1]	Disclosure of Interests in Other Entities
IFRS 10, 11 and 12 (Amendments) [1]	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in other entities: Transition Guidance
IFRS 10, 11 and 12 (Amendments) [2]	Investment Entities
Annual Improvements 2009-2011 Cycle [1]	Improvements to IFRS
IFRS 13 [1]	Fair Value Measurements

(1) Effective for the Group for annual periods beginning on or after 1 January 2013.
(2) Effective for the Group for annual periods beginning on or after 1 January 2014.
(3) Effective for the Group for annual periods beginning on or after 1 January 2015.

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. Proportionate consolidation would no longer be allowed to account for the interests in joint ventures.

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.

Under the current rights and obligations of operations in the Group's jointly controlled entities ("JCE"), the management of the Group has assessed the existing arrangement and believed that these JCE would be regarded as joint venture arrangements. As the Group is currently using proportionate consolidation to account for its interests in jointly controlled entities, management expects that the adoption of IFRS 11 would result in a change to the presentation of the Group's financial performance and position in its consolidated accounts. It is expected that the adoption of IFRS 11 would not result in a significant change in the Group's overall results and net assets.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group will adopt IFRS 11 on 1 January 2013. To demonstrate the potential impact on the change to the presentation of the Group consolidated accounts, the estimated effect, as if IFRS 11 is adopted for the year 2012, are summarised as follows:

(i) Estimated effect on the consolidated income statement for the year ended 31 December 2012

	Increase/(decrease) US$'000
Revenue and other incomes	(174,247)
Cost of sales and expenses	(157,097)
Share of profits less losses after tax of jointly controlled entities	17,150
Profit for the year	-

(ii) Estimated effect on the consolidated statement of financial position as at 31 December 2012

	Increase/(decrease) US$'000
Non current assets	58,273
Current assets	(107,162)
Non-current liabilities	(2,831)
Current liabilities	(46,058)

(iii) Estimated effect on the consolidated statement of cash flows for the year ended 31 December 2012

	Increase/(decrease) US$'000
Cash flows from operating activities	(34,933)
Cash flows from investing activities	7,390
Cash flows from financing activities	7,835
Net change in cash and cash equivalents	(19,708)

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, cash flow interest rate risk and liquidity risk. The Group does not use any derivative financial instruments for speculative purpose.

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group also has retail and trading operations in various jurisdictions. The Group's assets and liabilities, and transactions arising from its operations that are exposed to foreign exchange risk are primarily with respect to the US dollars and UK pound sterling.

Management has a policy to require group companies to manage their foreign exchange risk against functional currency. It mainly includes managing the exposures arising from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group has not used any hedging arrangement to hedge its exposure during the year as foreign currency risk is considered relatively insignificant.

As the assets and liabilities of each company within the Group are mainly denominated in the respective company's functional currency, management considers that the Group's volatility against changes in exchange rates of foreign currencies would not be significant. Accordingly, no sensitivity analysis is presented for foreign exchange risk.

(ii) Credit risk

The carrying amounts of cash at bank, short-term bank deposits, trade and bills receivables, other receivables and amount due from a related party included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk of the counterparty in relation to its financial assets.

Substantially all of the Group's cash at banks are deposited in major financial institutions, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that wholesales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors.

Management makes periodic assessment on the recoverability of trade and bills receivables, other receivables and amount due from a related party. The Group's historical experience in collection of receivables falls within the recorded allowances. It is considered that adequate provision for uncollectible receivables has been made.

Notes To The Accounts

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Cash flow interest rate risk

The Group has no significant interest-bearing assets except for bank deposits and cash at bank, details of which have been disclosed in Notes 22.The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings, which bear interest at floating interest rates and expose the Group to cash flow interest rate risk. Details of the Group's bank borrowings are disclosed in Note 26. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk as it is considered not cost efficient.

The Group has performed sensitivity analysis for the effects on the Group's profit after taxation for the year as a result of changes in interest expense on floating rate borrowings. The sensitivity to interest rate used is based on the market forecasts available at the end of the reporting period and under the economic environments in which the Group operates, with other variables held constant.

According to the analysis, the impact on the profit/loss after taxation of a 100 basis-point shift would be a maximum increase/decrease of US$316,000 and US$278,000 for the years ended 31 December 2012 and 2011 respectively.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding when necessary. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long term.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, investment in intangible assets, settlement of bank loans, settlement of payables and payment for operating expenses. The Group mainly finances its working capital requirements through a combination of internal resources and bank borrowings.

As at 31 December 2011 and 2012, the Group's current financial liabilities were due for settlement contractually within twelve months. The Group's non-current financial liabilities were disclosed in Note 26 and 28. Interest element in connection with bank loans payable in the next twelve months calculated in accordance with the contractual undiscounted cash flows amounted to US$475,000 (2011: US$189,000).

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' return that might be possible with higher levels of borrowings and advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank borrowings divided by total equity attributable to the Company's equity holders as shown on the consolidated statement of financial position.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

Currently, it is the Group's strategy to maintain a reasonable gearing ratio. The gearing ratios as at 31 December 2012 and 2011 were as follows:

	2012 US$'000	2011 US$'000
Total bank borrowings (Note 26)	**38,125**	30,038
Total equity attributable to the Company's equity holders	**70,578**	64,785
Gearing ratio	**54.0%**	46.4%

The increase in the gearing ratio was primarily resulted from the drawdown of a new long-term bank loan during 2012.

(c) Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and bank balances, trade and bills receivables, other receivables, amount due from a related party, and current financial liabilities, including trade payables, other payables and accruals, bank borrowings, and balances with related parties, approximate their fair values due to their short-term maturities.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value except that the Group's convertible preference shares are measured at cost as their fair value cannot be reliably measured, details of which have been disclosed in Note 2(t). These convertible preference shares have no obligation to be redeemed for cash and will be reclassified as equity of the relevant subsidiary when the relevant conditions are met.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 2 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

Notes To The Accounts

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Revenue recognition

The Group accounts for licensing, co-development and commercialisation agreement in respect of the research and development project using the percentage-of-completion method, recognising revenue when they are received or receivable, non-refundable and in substance consideration for achievement of specific defined goals. The identification of specific defined goals requires significant judgment and considerations include extent of effort involved in rendering each milestone and fair value of each distinct service. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion for each milestone, and the significant estimates include total estimated development costs, remaining costs to completion, corresponding risks and other judgements for each milestone.

(b) Useful lives of property, plant and equipment

The Group has made substantial investments in property, plant and equipment. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

(c) Impairment of assets

The Group tests annually whether goodwill has suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount in accordance with the accounting policy stated in Note 2(m). The recoverable amount of an asset or a cash-generating unit is determined based on the higher of the asset's or the cash-generating unit's fair value less costs to sell and value-in-use. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value, and the growth rate assumptions in the cash flow projections which has been prepared on the basis of management's assumptions and estimates.

(d) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the relevant counterparty and the current market condition. Provisions are made where events or changes in circumstances indicate that the receivables may not be collectible. The identification of impairment in receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and impairment is recognised in the period in which such estimate has been changed.

(e) Research and development costs

Research expenditure is recognised as an expense as incurred. Where the research phase and the development phase of an internal project cannot be clearly distinguished, all expenditure incurred on the project is charged to the income statement. In determining whether the development costs can be capitalised, management assesses the probability that the project will generate future economic benefits by considering its commercial and technical feasibility. This assessment could change when there are subsequent technological advancement and innovations (Note 17).

(f) Deferred income tax

The Group has significant tax losses carried forward and has not recognised the deferred income tax assets on these losses. Deferred income tax assets in respect of tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. No deferred income tax assets are recognised when it is uncertain whether there are sufficient future taxable profits available before such tax losses expire. Where the final outcome of these uncertainties are different from the estimation, such differences will impact the carrying amount of deferred tax assets in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Disposal of business

During the year ended 31 December 2012, the Group contributed certain of its assets and business processes including (i) the global development and commercial rights of a novel, oral therapy for Inflammatory Bowel Disease for a drug candidate previously recognized by the Group as intangible assets and (ii) the exclusive rights to its extensive botanical library and well-established botanical research and development platform in the field of gastrointestinal ("GI") disease previously developed by the Group ((i) & (ii) collectively referred as the "Business"), into a joint venture that would be jointly owned by a subsidiary of the Group and an unrelated third party as disclosed in Note 6 (b). In accordance with IFRS 3 "Business Combinations", management had exercised significant judgement in determining whether this contribution constitutes a transfer of a business. The Business comprises an integrated set of activities including inputs in the form of a botanical library and a team of scientists engaged in the field of GI area, and critical processes in the form of well-established botanical research and development platform that are used to generate outputs in the form of novel medicines and nutritional products. Although the related team of scientists was not transferred as a result of this transaction, management believes that it did not involve the use of specified knowledge that is unique to an individual scientist or team and this team of scientists can be easily replicated by a market participant to run the business. Accordingly, management considered the transaction met the requirements under IFRS 3 to be classified and accounted for as the disposal of a business.

5 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:

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

Note:

Income from research and development projects include upfront income of US$4.6 million (2011: US$10.8 million) from a global licensing, co-development and commercialisation agreement (Note 27) and income from the provision of research and development services of US$2.8 million (2011: US$4.0 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 ("Drug R&D"): relates mainly to drug discoveries and other pharmaceutical research and development activities, and the provision of research and development services.

- Consumer products: relates to sales of health oriented consumer products and services.

Notes To The Accounts

5 REVENUE AND SEGMENT INFORMATION (Continued)

China healthcare and Drug R&D segments are primarily located in the PRC and the locations for consumer products segment are further segregated into the PRC, UK, France and Hong Kong.

The operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technological advancement and marketing approach. The performance of the reportable segments are assessed based on a measure of earnings or losses before interest income, finance costs and tax expenses ("EBIT/(LBIT)").

In June 2012, the Group discontinued its consumer products operation in the UK. Details of the discontinued operation are included in Note 10.

The segment information for the reportable segments for the year is as follows:

Continuing operations

	As at and for the year ended 31 December 2012							
	China healthcare	Drug R&D	Consumer products			Reportable segment		
	PRC	PRC	PRC	France	Hong Kong	total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	177,914	7,443	787	643	8,605	195,392	-	195,392
EBIT/(LBIT)	20,467	2,639	(3,195)	(747)	(1,378)	17,786	(6,253)	11,533
Interest income	198	153	3	-	1	355	223	578
Operating profit/(loss)	20,665	2,792	(3,192)	(747)	(1,377)	18,141	(6,030)	12,111
Finance costs	219	-	-	-	-	219	989	1,208
Additions to non-current assets (other than financial instrument and deferred tax assets)	7,483	19,516	5	1	6	27,011	114	27,125
Depreciation/amortisation	2,571	1,398	1	1	18	3,989	25	4,014
Total assets	137,640	45,643	2,137	1,568	7,631	194,619	14,483	209,102

5 REVENUE AND SEGMENT INFORMATION (Continued)

Discontinued operation

	As at and for the year ended 31 December 2012								
	China healthcare	Drug R&D	Consumer products				Reportable segment		
	PRC	PRC	PRC	UK	France	Hong Kong	total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	-	-	-	344	-	-	344	-	344
LBIT	-	-	-	(3,201)	-	-	(3,201)	-	(3,201)
Interest income	-	-	-	-	-	-	-	-	-
Operating loss	-	-	-	(3,201)	-	-	(3,201)	-	(3,201)
Finance costs	-	-	-	-	-	-	-	-	-
Additions to non-current assets (other than financial instrument and deferred tax assets)	-	-	-	-	-	-	-	-	-
Depreciation/amortisation	-	-	-	35	-	-	35	-	35
Total assets	-	-	-	363	-	-	363	-	363

Continuing operations

	As at and for the year ended 31 December 2011							
	China healthcare	Drug R&D	Consumer products			Reportable segment		
	PRC	PRC	PRC	France	Hong Kong	total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	139,153	14,788	2,011	1,528	7,549	165,029	-	165,029
EBIT/(LBIT)	18,327	(3,696)	(847)	(679)	(619)	12,486	(5,836)	6,650
Interest income	123	5	1	-	1	130	5	135
Operating profit/(loss)	18,450	(3,691)	(846)	(679)	(618)	12,616	(5,831)	6,785
Finance costs	285	-	-	-	-	285	276	561
Additions to non-current assets (other than financial instrument and deferred tax assets)	3,098	4,104	3	-	38	7,243	9	7,252
Depreciation/amortisation	2,745	1,557	-	1	13	4,316	14	4,330
Total assets	123,907	45,167	4,538	763	8,588	182,963	9,105	192,068

Notes To The Accounts

5 REVENUE AND SEGMENT INFORMATION (Continued)

Discontinued operation

	As at and for the year ended 31 December 2011								
	China healthcare	Drug R&D	Consumer products				Reportable segment		
	PRC	PRC	PRC	UK	France	Hong Kong	total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	-	-	-	1,895	-	-	1,895	-	1,895
LBIT	-	-	-	(1,397)	-	-	(1,397)	-	(1,397)
Interest income	-	-	-	-	-	-	-	-	-
Operating loss	-	-	-	(1,397)	-	-	(1,397)	-	(1,397)
Finance costs	-	-	-	-	-	-	-	-	-
Additions to non-current assets (other than financial instrument and deferred tax assets)	-	-	-	-	-	-	-	-	-
Depreciation/amortisation	-	-	-	233	-	-	233	-	233
Total assets	-	-	-	2,706	-	-	2,706	-	2,706

Revenue from external customers is after elimination of inter-segment sales. The amount eliminated attributable to consumer products segment from UK to France is US$414,000 (2011: US$852,000) and from Hong Kong to the PRC is US$485,000 (2011: US$2,225,000).

Sales between segments are carried out at mutually agreed terms.

Unallocated expenses mainly represent corporate expenses which include corporate employee benefit expenses and the relevant share-based compensation expenses. Unallocated assets mainly comprise cash at banks and deferred tax assets.

A reconciliation of EBIT for reportable segments to profit before taxation and discontinued operation is provided as follows:

	2012	2011
	US$'000	US$'000
EBIT for reportable segments	**17,786**	12,486
Unallocated expenses	**(6,253)**	(5,836)
Interest income	**578**	135
Finance costs	**(1,208)**	(561)
Profit before taxation	**10,903**	6,224

As at 31 December 2012, the total non-current assets, other than investment in an associated company and deferred tax assets, located in the PRC, UK, France and Hong Kong were US$57,039,000 (2011: US$52,338,000), US$ Nil (2011: US$145,000), US$1,000 (2011: US$1,000) and US$144,000 (2011: US$74,000) respectively.

6 (a) OTHER NET OPERATING INCOME

	2012 US$'000	2011 US$'000
Continuing operations:		
Interest income	**578**	135
Net foreign exchange gains	**315**	49
Government incentives	**122**	229
Other operating income	**982**	685
Other operating expenses	**(95)**	(23)
Profit on buy back of convertible preference shares (Note 28)	**1,152**	-
	3,054	1,075

6 (b) GAIN ON DISPOSAL OF A BUSINESS

On 27 November 2012, Hutchison MediPharma (Hong Kong) Limited (a subsidiary of the Group) and Nestlé Health Science S.A. ("Nestlé"), a fully-owned subsidiary of Nestlé S.A., a company specialized in the development of science-based personalized nutritional solutions, entered into a joint venture agreement ("JV agreement") in which Nestlé agreed to contribute cash and the Group agreed to contribute the Business as defined in Note 4(g) into Nutrition Science Partners Limited (the "JV"). The JV would be jointly owned with each of the Group and Nestlé having a 50% equity interest.

As at 31 December 2012, the Group had contributed the Business into the JV (Note 17). Although the legal formation of the JV is still subject to regulatory approval, management considered the Group had effectively lost control over the Business since 27 November 2012. Accordingly, the Group had recorded a gain on disposal of the business, being the difference between the contribution to be received from the JV partner and the carrying values of net assets contributed into the JV.

7 OPERATING PROFIT

Operating profit is stated after charging the following:

	2012 US$'000	2011 US$'000
Continuing operations:		
Auditor's remuneration	**427**	415
Amortisation of trademarks and patents recognised in administrative expenses	**67**	91
Amortisation of leasehold land	**182**	145
Cost of inventories recognised as expense	**97,009**	73,799
Depreciation of property, plant and equipment	**3,765**	4,094
Write-off of inventories (note)	**800**	2
Provision for inventories (note)	**1,591**	120
Provision for receivables	**83**	19
Loss on disposal of property, plant and equipment	**214**	149
Operating lease rentals in respect of land and buildings	**1,143**	1,383
Research and development expense	**7,443**	7,291
Employee benefit expenses (Note 13)	**34,922**	26,836

Note:

Provision for inventories and write-off of inventories amounted to US$1,591,000 (2011: US$120,000) and US$800,000 (2011: US$2,000) respectively mainly relate to obsolete or damaged inventories.

Notes To The Accounts

8 FINANCE COSTS

	2012 US$'000	2011 US$'000
Continuing operations:		
Interest expense on bank loans	**737**	531
Guarantee fee on bank loan	**471**	30
	1,208	561

9 TAXATION CHARGE

	2012 US$'000	2011 US$'000
Continuing operations:		
Current tax		
– PRC	**3,495**	3,130
Deferred income tax (Note 19)	**667**	12
Taxation charge	**4,162**	3,142

(a) The Group has no estimated assessable profit in Hong Kong and France for the year (2011: Nil).

(b) Hutchison MediPharma Limited ("HMPL"), a subsidiary of the Group, has been granted Technology Advancement Service Entity status and is subject to a preferential income tax rate of 15% for three years up to 2013 and is renewable subject to approval by the relevant tax authorities.

Hutchison Healthcare Limited ("HHL"), a subsidiary of the Group, is entitled to a two-year exemption from income taxes followed by a 50% reduction in income taxes for the ensuing three years. These tax benefits were expired in 2012 and thereafter HHL will be subject to a tax rate of 25%.

In addition, Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") and Shanghai Hutchison Pharmaceuticals Limited ("SHPL"), jointly controlled entities of the Group, have been granted High and New Technology Enterprise status ("HNTE status"). Accordingly, HBYS & SHPL are subject to a preferential income tax rate of 15% up to 2014 (2011: 15%) and are renewable subject to approval by the relevant tax authorities.

9 TAXATION CHARGE (Continued)

(c) The taxation charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Group's weighted average tax rate as follows:

	2012 US$'000	2011 US$'000
Continuing operations:		
Profit before taxation	**10,903**	6,224
Tax calculated at the domestic tax rates of respective companies	**1,745**	2,840
Effect of tax concession	**(2,030)**	(1,672)
Expenses not deductible for taxation purposes	**113**	116
Tax losses for which no deferred tax asset was recognised	**3,774**	1,675
Withholding tax on unremitted earnings	**1,005**	740
Others	**(445)**	(557)
Taxation charge	**4,162**	3,142

The weighted average tax rate calculated at the domestic tax rates of respective companies for the year was 16.0% (2011: 45.6%). The fluctuation in the weighted average applicable tax rate arose because of the changes in the relative profitability of the Group's operations in different tax jurisdictions.

10 RESULTS AND CASH FLOWS OF DISCONTINUED OPERATION

In June 2012, the Group discontinued its consumer products operation in the UK, which represented a geographical area of the Group's business, as its performance was below expectation in light of increased competitive activities in the UK consumer product market.

The results and cash flows of the discontinued operation are set out below. The 2011 comparative figures in the consolidated income statement have also been reclassified to conform to the current year presentation.

Notes To The Accounts

10 RESULTS AND CASH FLOWS OF DISCONTINUED OPERATION (Continued)

	2012 US$'000	2011 US$'000
Revenue and income (Note 1)	**584**	2,069
Expenses (Note 2)	**(3,785)**	(3,466)
Loss before taxation from discontinued operation	**(3,201)**	(1,397)
Taxation charge	**-**	-
Loss for the year from discontinued operation	**(3,201)**	(1,397)
Cash flow from discontinued operation		
Net cash flows from operating activities	**(238)**	(94)
Net cash flows from investing activities	**5**	-
Net cash flows from financing activities	**-**	-
Net cash outflows	**(233)**	(94)
Note 1		
Revenue and income include:		
Sales of goods	**178**	446
Service income	**166**	1,449
Other income	**240**	174
	584	2,069
Note 2		
Expenses include:		
Cost of inventories recognised as expense	**131**	208
Depreciation of property, plant and equipment	**35**	233
Employee benefit expenses	**1,266**	1,428
Loss on disposal of property, plant and equipment	**106**	99
Operating lease rentals in respect of land and building	**672**	1,054
Write-off of inventories	**1,083**	29

11 EARNINGS PER SHARE

(a) Basic earnings/(losses) per share

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

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

(b) Diluted earnings/(losses) per share

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

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

Notes To The Accounts

11 EARNINGS PER SHARE (Continued)

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

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

12 DIRECTORS' EMOLUMENTS

	2012 US$'000	2011 US$'000
Fees (note)	**276**	269
Basic salaries, housing allowances, other allowances and benefits in kind	**1,301**	1,087
Contributions to pension schemes	**41**	38
Share-based compensation expenses	**10**	25
	1,628	1,419

Note:

The emoluments of each of the Directors exclude amounts received from the Company's subsidiaries and paid to a subsidiary or an intermediate holding company of the Company.

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 US$'000	2011 US$'000
Wages, salaries and bonuses	**26,247**	19,392
Pension costs - defined contribution plans	**3,367**	2,111
Staff welfare	**4,556**	4,390
Share-based compensation expenses	**752**	943
	34,922	26,836

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings situated in the PRC under medium term leases US$'000	Leasehold improvements US$'000	Plant and equipment US$'000	Furniture and fixtures, other equipment and motor vehicles US$'000	Construction in progress US$'000	Total US$'000
Cost						
As at 1 January 2012	21,479	5,293	12,014	14,229	1,967	54,982
Exchange differences	186	49	107	128	7	477
Additions	-	401	724	1,346	1,062	3,533
Disposals	(26)	(1,610)	(485)	(1,328)	(34)	(3,483)
Transfers	1,316	85	701	40	(2,142)	-
As at 31 December 2012	22,955	4,218	13,061	14,415	860	55,509
Accumulated depreciation and impairment						
As at 1 January 2012	8,774	5,032	7,619	10,280	-	31,705
Exchange differences	81	45	68	99	-	293
Charge for the year	1,064	244	827	1,665	-	3,800
Disposals	(3)	(1,543)	(373)	(1,218)	-	(3,137)
As at 31 December 2012	9,916	3,778	8,141	10,826	-	32,661
Net book value						
As at 31 December 2012	13,039	440	4,920	3,589	860	22,848

Notes To The Accounts

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings situated in the PRC under medium term leases US$'000	Leasehold improvements US$'000	Plant and equipment US$'000	Furniture and fixtures, other equipment and motor vehicles US$'000	Construction in progress US$'000	Total US$'000
Cost						
As at 1 January 2011	20,219	5,238	10,926	13,053	1,001	50,437
Exchange differences	1,041	209	571	638	69	2,528
Additions	82	185	541	653	1,293	2,754
Disposals	–	(314)	(217)	(206)	–	(737)
Transfers	137	(25)	193	91	(396)	–
As at 31 December 2011	21,479	5,293	12,014	14,229	1,967	54,982
Accumulated depreciation and impairment						
As at 1 January 2011	7,370	3,919	6,820	8,410	–	26,519
Exchange differences	399	165	358	424	–	1,346
Charge for the year	1,005	1,085	641	1,596	–	4,327
Disposals	–	(137)	(200)	(150)	–	(487)
As at 31 December 2011	8,774	5,032	7,619	10,280	–	31,705
Net book value						
As at 31 December 2011	12,705	261	4,395	3,949	1,967	23,277

As at 31 December 2012, the net book value of buildings pledged as security for the short-term bank loan amounted to US$85,000 (2011: US$174,000) (Note 26).

15 LEASEHOLD LAND

The Group and its jointly controlled entities' interests in leasehold land represent prepaid operating lease payments and are located in the PRC.

	2012 US$'000	2011 US$'000
Cost		
As at 1 January	**7,268**	6,914
Exchange differences	**101**	354
Additions	**4,357**	-
As at 31 December	**11,726**	7,268
Accumulated amortisation		
As at 1 January	**1,093**	899
Exchange differences	**11**	49
Amortisation charge (Note 7)	**182**	145
As at 31 December	**1,286**	1,093
Net book value		
As at 31 December	**10,440**	6,175

As at 31 December 2012, the net book value of leasehold land pledged as security for the short-term bank loan amounted to US$74,000 (2011: US$75,000) (Note 26).

16 GOODWILL

	2012 US$'000	2011 US$'000
Cost		
As at 1 January	**8,248**	7,709
Exchange differences	**63**	378
Additions	**-**	161
As at 31 December	**8,311**	8,248

Goodwill is allocated to HHL, a subsidiary of the Group, and Qing Yuan Baiyunshan Hutchison Whampoa ChuanXinLian R&D Limited ("CXL"), SHPL and HBYS, jointly controlled entities of the Group, to the extent of US$407,000 (2011: US$407,000), US$70,000 (2011: US$70,000), US$3,179,000 (2011: US$3,154,000) and US$4,655,000 (2011: US$4,617,000), respectively.

Notes To The Accounts

16 GOODWILL (Continued)

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Projections in excess of five years are used to take into account increasing market share and growth momentum.

There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, and pre-tax discount rate of 11% (2011: 11%), to reflect the risks involved. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. Cash flows beyond that five-year period have been extrapolated using steady growth rate of 4%. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

17 OTHER INTANGIBLE ASSETS

	Development costs		Trademarks, patents and others		Total	
	2012	2011	**2012**	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Cost						
As at 1 January	**14,233**	10,218	**2,668**	1,951	**16,901**	12,169
Exchange differences	**78**	298	**24**	97	**102**	395
Additions (i) & (iii)	**4,213**	3,717	**15,022**	620	**19,235**	4,337
Disposal (ii)	**(18,524)**	-	**-**	-	**(18,524)**	-
As at 31 December	**-**	14,233	**17,714**	2,668	**17,714**	16,901
Accumulated amortisation and impairment						
As at 1 January	**-**	-	**2,043**	1,857	**2,043**	1,857
Exchange differences	**-**	-	**19**	95	**19**	95
Amortisation charge (Note 7)	**-**	-	**67**	91	**67**	91
As at 31 December	**-**	-	**2,129**	2,043	**2,129**	2,043
Net book value						
As at 31 December	**-**	14,233	**15,585**	625	**15,858**	14,858

(i) During the year, the Group capitalised additional development costs totaling US$4,213,000 (2011: US$3,717,000) in respect of a drug candidate for the treatment of Inflammatory Bowel Disease for which management are of the opinion that the technical feasibility of completing the candidate making it available for use or sale can be demonstrated and it is probable that future economic benefits can be generated to the Group.

(ii) As at 31 December 2012, the Group had contributed the drug candidate as stated in note (i) with cumulative capitalised costs amounted to US$18,524,000, into a joint venture with an unrelated third party as explained in Note 6 (b), which constituted a disposal of intangible assets of the same amount.

(iii) Additions of US$15,022,000 for the year mainly represent the Group's 50% share of fair value of intangible assets of the joint venture as explained in Note 6 (b).

Trademarks, patents and others are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Management is of the opinion that there is no indication of impairment on these assets as of 31 December 2012.

18 INVESTMENT IN AN ASSOCIATED COMPANY

	2012 US$'000	2011 US$'000
Unlisted investment		
As at 1 January	31	-
Exchange differences	1	-
Addition	-	31
As at 31 December	32	31

Investment in an associated company represented a 20% interest in an unlisted company established in the PRC acquired by a jointly controlled entity of the Group.

19 DEFERRED INCOME TAX

	2012 US$'000	2011 US$'000
Deferred tax assets	1,639	1,550
Deferred tax liabilities	(2,667)	(1,911)
Net deferred tax liabilities	(1,028)	(361)

The movements in net deferred income tax liabilities are as follows:

	2012 US$'000	2011 US$'000
At 1 January	(361)	(195)
Credited/(charged) to the consolidated income statement		
- accrued expenses, provisions and depreciation allowances	215	594
- tax losses	-	134
- withholding tax on unremitted earnings	(771)	(740)
- expiry of deferred tax asset	(111)	-
Relating to acquisition of a subsidiary by a jointly controlled entity	-	(154)
At 31 December	(1,028)	(361)

Notes To The Accounts

19 DEFERRED INCOME TAX (Continued)

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes related to the same fiscal authority.

The Group's deferred tax assets are mainly related to accrued expenses, provisions, depreciation allowances and tax losses, and deferred tax liabilities are mainly related to unremitted earnings from jointly controlled entities.

The potential deferred tax assets in respect of tax losses which have not been recognised in the consolidated accounts amounted to approximately US$24,124,000 as at 31 December 2012 (2011: US$19,488,000).

These unrecognised tax losses can be carried forward against future taxable income and will expire in the following years:

	As at 31 December	
	2012	2011
	US$'000	US$'000
No expiry date	**64,385**	54,078
2012	**-**	9,624
2013	**10,590**	10,590
2014	**8,437**	8,437
2015	**10,829**	10,829
2016	**350**	350
2017	**10,281**	-
	104,872	93,908

20 INVENTORIES

	2012	2011
	US$'000	US$'000
Raw materials	**11,116**	9,137
Work in progress	**4,707**	5,244
Finished goods	**9,495**	14,339
	25,318	28,720

21 TRADE AND BILLS RECEIVABLES

	2012 US$'000	2011 US$'000
Trade receivables from third parties	**19,519**	18,568
Trade receivables from related parties (Note 32)	**2,751**	3,514
Bills receivables	**22,073**	29,491
	44,343	51,573

Substantially all the trade and bills receivables are denominated in RMB and are due within one year from the end of the reporting period.

The carrying value of trade and bills receivables approximates their fair values due to their short-term maturities.

There is no concentration of credit risk with respect to trade and bills receivables as the Group and its jointly controlled entities have a large number of customers.

Bills receivables represent non-interest bearing bank acceptance bills with a maturity period of 1 to 6 months.

Movements on the provision for trade receivables are as follows:

	2012 US$'000	2011 US$'000
At 1 January	**1,605**	1,511
Provision	**83**	19
Exchange difference	**14**	75
At 31 December	**1,702**	1,605

The impaired and provided receivables of US$1,702,000 (2011: US$1,605,000) are aged over 6 months.

As at 31 December 2012, trade receivables of approximately US$342,000 (2011: US$2,234,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2012 US$'000	2011 US$'000
Up to 3 months	**163**	350
4 to 6 months	**179**	29
Over 6 months	**-**	1,855
	342	2,234

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

Notes To The Accounts

22 CASH AND BANK BALANCES

	2012 US$'000	2011 US$'000
Cash at bank and in hand	45,190	53,763
Short-term bank deposits (note (a))	16,819	-
	62,009	53,763

	2012 US$'000	2011 US$'000
Denominated in:		
US dollars	4,163	26,578
RMB (note (b))	53,920	18,917
UK Pound Sterling	311	607
HK$	2,231	7,183
Euro	1,384	478
	62,009	53,763

Notes:

(a) The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 50 to 92 days, was 2.7% (0.2% for deposits obtained and redeemed during 2011) per annum. Cash at bank earns interest at floating rates based on daily bank deposit rates.

(b) Certain cash and bank balances denominated in RMB were deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

23 SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares of US$1 each	Nominal amount US$'000
Authorised:		
As at 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	75,000,000	75,000

	Number of shares	US$'000
Issued and fully paid:		
As at 1 January 2011, 31 December 2011 and 1 January 2012	51,743,153	51,743
Issue of shares under share option scheme (note)	305,295	305
As at 31 December 2012	52,048,448	52,048

Note:

Issue date	9 January 2012	14 June 2012	4 September 2012	4 September 2012
Number of ordinary shares of US$1 each allotted and issued by the Company	51,212	192,108	53,650	8,325
Issue price	£1.090	£1.260	£1.715	£1.535
Aggregate cash consideration (US$'000)	86	377	145	21
Weight average share price at the exercise date	£3.68	£3.98	£3.83	£3.83

All the above new shares rank pari passu in all respects with the then existing shares.

23 SHARE CAPITAL (Continued)

(b) Share option schemes

(i) Share option scheme of the Company

On 4 June 2005, the Company adopted a share option scheme (the "HCML Share Option Scheme"), the rules of which were subsequently amended by the Board of Directors of the Company on 21 March 2007. Pursuant to the HCML Share Option Scheme, the Board of Directors of the Company may, at its discretion, offer any employees and directors (including executive and non-executive directors but excluding independent non-executive directors) of the Company, holding companies of the Company and any of their subsidiaries or affiliates, and subsidiaries or affiliates of the Company options to subscribe for shares of the Company. As of 31 December 2012, options representing approximately 2.8% of the issued share capital of the Company were granted to directors of the Company and certain employees of the Group and its jointly controlled entities under the HCML Share Option Scheme which are exercisable within a period of ten years from the offer date subject to the vesting schedules of the respective share options.

The following share options were outstanding under the HCML Share Option Scheme as at 31 December 2012:

Name or category of participants	Effective date of grant of share options	Exercise period of share options	Exercise price of share options	Number of shares subject to the options
Directors				
Christian Hogg	19 May 2006 (notes (i) & (ii))	On Admission to 3 June 2015	£1.090	768,182
Johnny Cheng	25 August 2008 (note (iii))	From 25 August 2008 to 24 August 2018	£1.260	64,038
Employees in aggregate	19 May 2006 (notes (i) & (ii))	On Admission to 3 June 2015	£1.090	76,818
	11 September 2006 (note (ii))	From 11 September 2006 to 18 May 2016	£1.715	26,808
	18 May 2007 (note (iv))	From 18 May 2007 to 17 May 2017	£1.535	43,857
	28 June 2010 (note (iii))	From 28 June 2010 to 27 June 2020	£3.195	102,628
	1 December 2010 (note (iii))	From 1 December 2010 to 30 November 2020	£4.967	227,600
	24 June 2011 (note (iii))	From 24 June 2011 to 23 June 2021	£4.405	150,000
				1,459,931

Notes To The Accounts

23 SHARE CAPITAL (Continued)

(b) Share option schemes (Continued)

(i) Share option scheme of the Company (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2012		2011	
	Average exercise price in £ per share	**Number of options**	Average exercise price in £ per share	Number of options
As at 1 January	**2.06**	**1,765,226**	1.84	1,615,226
Granted	**-**	**-**	4.41	150,000
Exercised	**1.32**	**(305,295)**	-	-
As at 31 December	**2.22**	**1,459,931**	2.06	1,765,226

The Company has no legal or constructive obligation to repurchase or settle the share options in cash. Save as mentioned above, no other share options under the HCML Share Option Scheme were cancelled or exercised or lapsed during the year ended 31 December 2012.

Notes:

(i) The share options were granted on 4 June 2005, conditionally upon the Company's Admission which took place on 19 May 2006.

(ii) The share options granted to certain founders of the Company are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009. The share options granted to non-founder of the Company are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.

(iii) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.

(iv) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.

(v) As at 31 December 2012, the fair value of share options in connection with the 1,459,931 share options outstanding as at the same date remain unvested was amounting to £219,000 (equivalent to US$353,000). The amount is to be recognised as expense of the Group over the remaining vesting periods of the relevant share options as mentioned in the note (iii) above. The amount recognised as expenses for the year ended 31 December 2012 amounted to US$416,000 (2011: US$575,000).

23 SHARE CAPITAL (Continued)

(b) Share option schemes (Continued)

(i) Share option scheme of the Company (Continued)

The fair value of options granted under the HCML Share Option Scheme determined using the Binomial Model is as follows:

	Effective date of grant of share options						
	19 May 2006	11 September 2006	18 May 2007	25 August 2008	28 June 2010	1 December 2010	24 June 2011
Value of each share option	£1.546	£0.553	£0.533	£0.569	£1.361	£1.995	£1.841
Significant inputs into the valuation model:							
Exercise price	£1.090	£1.715	£1.535	£1.260	£3.195	£4.967	£4.405
Share price at effective grant date	£2.5050	£1.7325	£1.5400	£1.2600	£3.1500	£4.6000	£4.3250
Expected volatility (notes (i) to (iv))	38.8%	38.8%	40.0%	35.0%	49.9%	48.43%	46.6%
Risk-free interest rate	4.540%	4.766%	5.098%	4.700%	3.340%	3.360%	3.130%
Expected life of options	1.2 to 3.9 years	3.4 to 5.3 years	3.9 to 5.7 years	7.1 to 8.0 years	6.25 years	6.25 years	6.25 years
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%

Notes:

(i) For share options granted on or before 18 May 2007, the volatility of the underlying stock during the life of the options is estimated based on the historical volatility of the comparable companies for the past one to two years as of the valuation date, that is, the effective grant date, since there were no or only a relatively short period of trading record of the Company's shares at the respective grant dates.

(ii) For share options granted on 25 August 2008, the volatility of the underlying stock during the life of the options is estimated with reference to the volatility of the Company two years prior to the issuance of share options.

(iii) For share options granted on 28 June 2010 and 1 December 2010, the volatility of the underlying stock during the life of the options is estimated with reference to the volatility of the Company four years prior to the issuance of share options.

(iv) For share options granted on 24 June 2011, the volatility of the underlying stock during the life of the options is estimated with reference to the volatility of the Company five years prior to the issuance of share options.

Notes To The Accounts

23 SHARE CAPITAL (Continued)

(b) Share option schemes (Continued)

(ii) Share option scheme of a subsidiary

On 6 August 2008, Hutchison MediPharma Holdings Limited ("HMHL"), a subsidiary of the Company, adopted a share option scheme (the "HMHL Share Option Scheme"), the rules of which were subsequently amended by the Board of Directors of HMHL on 15 April 2011, pursuant to which any employee or director of HMHL and any of its subsidiaries and affiliates is eligible to participate in the HMHL Share Option Scheme subject to the discretion of the board of directors of HMHL. As of 31 December 2012, options representing approximately 10.5% of HMHL's total issued ordinary shares were granted to certain employees of Hutchison MediPharma Limited, a subsidiary of HMHL under the HMHL Share Option Scheme which are exercisable within a period of six years from the offer date subject to the vesting schedules of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.

The following share options were outstanding under the HMHL Share Option Scheme as at 31 December 2012:

Category of participants	Effective date of grant of share options	Exercise period of share options	Exercise price of share options	Number of shares subject to the options
Employees in aggregate	6 August 2008 (note (i))	From 6 August 2008 to 5 August 2014	US$1.28	1,243,000
	5 October 2009 (note (i))	From 5 October 2009 to 4 October 2015	US$1.52	234,000
	3 May 2010 (note (i))	From 3 May 2010 to 2 May 2016	US$2.12	360,000
	2 August 2010 (note (i))	From 2 August 2010 to 1 August 2016	US$2.24	206,000
	22 November 2010 (note (i))	From 22 November 2010 to 21 November 2016	US$2.36	240,000
	18 April 2011 (note (i))	From 18 April 2011 to 17 April 2017	US$2.36	562,385
	17 October 2012 (note (i))	From 17 October 2012 to 16 October 2018	US$2.73	299,120
				3,144,505

23 SHARE CAPITAL (Continued)

(b) Share option schemes (Continued)

(ii) Share option scheme of a subsidiary (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2012		2011	
	Average exercise price in US$ per share	**Number of options**	Average exercise price in US$ per share	Number of options
As at 1 January	**1.73**	**4,050,607**	1.48	5,593,500
Granted	**2.73**	**299,120**	2.36	1,342,769
Lapsed	**1.61**	**(1,205,222)**	1.53	(2,885,662)
As at 31 December	**1.87**	**3,144,505**	1.73	4,050,607

The Group has no legal or constructive obligation to repurchase or settle the share options in cash. Save as mentioned above, no other share options under the HMHL Share Option Scheme were cancelled or exercised or lapsed during the year ended 31 December 2012.

Notes:

(i) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.

(ii) As at 31 December 2012, the fair value of share options in connection with the 3,144,505 share options outstanding as at the same date remain unvested was amounting to US$236,000. The amount is to be recognised as expense of the Group over the remaining vesting periods of the relevant share options as mentioned in the note (i) above. The amount recognised as expenses for the year ended 31 December 2012 amounted to US$336,000 (2011: US$368,000) and of which US$44,000 (2011: US$169,000) has been capitalised as intangible assets during the year (Note 16).

Notes To The Accounts

23 SHARE CAPITAL (Continued)

(b) Share option schemes (Continued)

(ii) Share option scheme of a subsidiary (Continued)

The fair value of options granted under the HMHL Share Option Scheme determined using the Binomial Model is as follows:

	Effective date of grant of share options						
	6 August 2008	5 October 2009	3 May 2010	2 August 2010	22 November 2010	18 April 2011	17 October 2012
Value of each share option	US$0.034	US$0.027	US$0.361	US$0.258	US$0.900	US$0.923	US$0.923
Significant inputs into the valuation model:							
Exercise price	US$1.280	US$1.520	US$2.120	US$2.240	US$2.360	US$2.360	US$2.730
Share price at effective grant date	US$0.270	US$0.261	US$1.098	US$1.030	US$2.048	US$2.048	US$2.048
Expected volatility (note)	53%	53%	54%	49%	55%	55%	54%
Risk-free interest rate	3.293%	2.564%	2.772%	2.007%	1.790%	2.439%	2.439%
Expected life of options	4.6 to 5.8 years	6 years	6 years	6 years	6 years	6 years	6 years
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%

Note:

The volatility of the underlying stock during the life of the options is estimated based on the historical volatility of the comparable companies for the past one to seven years as of the valuation date, that is, the effective grant date.

24 TRADE PAYABLES

	2012 US$'000	2011 US$'000
Trade payables due to third parties	17,222	13,156
Trade payable due to a related party (Note 32)	1,675	3,295
	18,897	16,451

Substantially all the trade payables due to third parties are denominated in RMB and due within one year from the end of the reporting period.

Trade payable due to a related party is denominated in US dollars and due within one year from the end of the reporting period.

The carrying value of trade payables approximates their fair values due to their short-term maturities.

25 OTHER PAYABLES, ACCRUALS AND ADVANCE RECEIPTS

	2012 US$'000	2011 US$'000
Other payables and accruals		
Accrued operating expenses	**10,836**	6,660
Accrued salaries	**4,888**	4,197
Amounts due to joint venture partners	**-**	3,154
Other payables	**9,958**	9,910
	25,682	23,921
Advance receipts		
Payments in advance from customers	**9,387**	4,707
Deferred government incentives	**4,095**	2,389
Deferred upfront income (note)	**4,551**	4,551
	18,033	11,647
	43,715	35,568

Note:

In 2011, the Group entered into a global licensing, co-development and commercialisation agreement in respect of its research and development project with a third party for which an initial cash payment of US$20 million ("Upfront Income") was received by the Group. The Group will receive further milestones income contingent upon the successful achievement of clinical development and future commercialisation of the products. Upfront Income of US$4.6 million (2011: US$10.8 million) was recognised during the year and the remaining upfront income amounted to US$4.6 million will be recognised as income in the 2013 which was determined by reference to the stage of completion of the project. The balance represents the current portion of the remaining upfront income of US$4.6 million (Note 27).

26 BANK BORROWINGS

	2012 US$'000	2011 US$'000
Bank borrowings		
Non-current (Note i)	**26,923**	-
Current (Note ii)	**11,202**	30,038
Total borrowings	**38,125**	30,038
Weighted average effective interest rate	**1.87%**	1.86%

Notes To The Accounts

26 BANK BORROWINGS (Continued)

Notes:

(i) The long-term bank loan is unsecured, interest bearing, denominated in Hong Kong dollars and the carrying amount of the bank loan approximates its fair values. It is guaranteed by Hutchison Whampoa Limited, the ultimate holding company of the Company.

(ii) As at 31 December 2012, the RMB denominated short-term bank loans of US$310,000 are secured by certain leasehold land and buildings of a subsidiary of a jointly controlled entity (Notes 14 and 15). All short-term bank loans are unsecured and interest bearing and the carrying amount of these bank loans approximates their fair values.

(a) As at 31 December 2012, the Group's borrowings were repayable as follows:

	2012 US$'000	2011 US$'000
Within 1 year	**11,202**	30,038
Between 2 and 5 years	**26,923**	-
	38,125	30,038

(b) The carrying amounts of the group's borrowings are denominated in the following currencies:

	2012 US$'000	2011 US$'000
HK$	**37,179**	25,000
RMB	**946**	5,038
	38,125	30,038

27 DEFERRED INCOME

Deferred income represents the non-current portion of upfront income of US$ Nil (2011: US$4.6 million) and government incentives of US$2.7 million (2011: US$2.3 million) received by the Group and its jointly controlled entities in relation to certain research and development projects.

28 CONVERTIBLE PREFERENCE SHARES

In 2010, HMHL issued an aggregate number of 7,390,029 convertible preference shares at US$2.725 per share each to two independent third parties ("preference shares holders") for a total cash consideration of approximately US$20.1 million. These preference shares shall be convertible into a variable number of ordinary shares of HMHL subject to, amongst other terms and conditions as set out in the relevant agreements, an adjustment event that the occurrence or non-occurrence has not yet been determined at the inception date. Consequently, the convertible preference shares are classified as financial liabilities at the reporting date. These convertible preference shares will be reclassified as equity of the relevant subsidiary when the relevant aforementioned conditions are met.

In October 2012, the Company had purchased 2,815,249 convertible preference shares amounted to US$7.67 million from one of the preference shares holders for a consideration of approximately US$6.52 million. As a result, a gain of approximately US$1.15 million (Note 6 (a)) was recognized in the consolidated income statement for the year ended 31 December 2012.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

Notes To The Accounts

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

In 2011, HMPL, a subsidiary of the Group, acquired a 50% interest in the enlarged capital of CXL by injection of RMB2 million (equivalent to US$308,000) to CXL as additional capital. CXL was formerly a wholly-owned subsidiary of HBYS, which is a jointly controlled entity of the Group. After the transaction, the Group's effective interest in CXL increased from 40% to 70%.

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

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

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

30 COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at 31 December 2012:

	2012 US$'000	2011 US$'000
Property, plant and equipment		
Authorised but not contracted for	-	-
Contracted but not provided for	137	174
	137	174

(b) Operating lease commitments

The Group leases various factories, offices and retail stores under non-cancellable operating lease agreements. As at 31 December 2012, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	2012 US$'000	2011 US$'000
Not later than one year	889	1,382
Later than one year and not later than five years	1,076	2,259
Later than five years	623	1,236
	2,588	4,877

31 JOINTLY CONTROLLED ENTITIES

Particulars of the principal jointly controlled entities of the Group are set out in Note 35. The following amounts represent the Group's share of the assets, liabilities, income, results, and commitments of the jointly controlled entities. They are included in the consolidated statement of financial position and consolidated income statement:

	2012 US$'000	2011 US$'000
Assets		
Non-current assets	**34,919**	29,653
Current assets	**92,048**	77,718
	126,967	107,371
Liabilities		
Non-current liabilities	**2,831**	2,522
Current liabilities	**45,311**	36,286
	48,142	38,808
Net assets	**78,825**	68,563
Income	**173,367**	132,650
Expenses	**(156,236)**	(117,402)
Profit after taxation	**17,131**	15,248
Operating lease commitments	**375**	383

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities and these jointly controlled entities did not have any material contingent liabilities as at 31 December 2012.

Notes To The Accounts

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed above, the Group has the following significant transactions during the year with related parties which were carried out in the normal course of business at terms determined and agreed by the relevant parties:

		2012 US$'000	2011 US$'000
(a)	Transactions with related parties:		
	Sales of goods to		
	- Fellow subsidiaries	**6,967**	6,860
	Purchase of goods from		
	- A non-controlling shareholder of a subsidiary	**4,802**	5,855
	Royalty fee paid to		
	- A non-controlling shareholder of a subsidiary	**4**	-
	Rendering of marketing services from		
	- Fellow subsidiaries	**591**	526
	Management service fee to		
	- An intermediate holding company	**914**	878
	Guarantee fee on bank loan to		
	- The ultimate holding company	**471**	30
	Dividend paid to		
	- A non-controlling shareholder of a subsidiary	**538**	1,141

No transactions have been entered into with the directors of the Company (being the key management personnel) during the years ended 31 December 2011 and 2012 other than the emoluments paid to them (being the key management personnel compensation) as disclosed in Note 12.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

		2012 US$'000	2011 US$'000
(b)	Balances with related parties included in:		
	Amounts due from a related party:		
	- A non-controlling shareholder of a subsidiary (note (i))	**-**	1,516
	- A joint venture partner (note (iv))	**15,000**	-
		15,000	1,516
	Trade receivables from related parties:		
	- Fellow subsidiaries (Note 21) (note (ii))	**2,751**	3,514
	Trade payable due to a related party:		
	- A non-controlling shareholder of a subsidiary (Note 24) (note (ii))	**1,675**	3,295
	Amounts due to related parties:		
	- Immediate holding company (note (ii))	**6,217**	5,345
	- A fellow subsidiary (note (ii))	**86**	-
		6,303	5,345
	Non-controlling shareholders:		
	- Loans from non-controlling shareholders of subsidiaries (note (iii))	**5,379**	4,379

Notes:

(i) The amount due from a non-controlling shareholder of a subsidiary is dominated in US dollars and bears interest at LIBOR plus 3%. The amount is wholly repayable before December 2012 and is secured by the shareholder's 20% equity interest in Hutchison BYS (Guangzhou) Holding Limited, an 80% owned subsidiary of the Group.

(ii) Other balances with related parties are unsecured, interest-free and repayable on demand. The carrying values of balances with related parties approximate their fair values due to their short-term maturities.

(iii) Loans from non-controlling shareholders of subsidiaries are unsecured, interest-free and are recorded in non-controlling interests.

(iv) The balance represents Group's share of cash to be received from a joint venture partner.

33 HOLDING COMPANIES

The immediate holding company is Hutchison Healthcare Holdings Limited, a company incorporated in the British Virgin Islands. The Company's directors regard Hutchison Whampoa Limited, a company incorporated and listed in Hong Kong, as the ultimate holding company and also ultimate controlling party of the Company.

34 APPROVAL OF ACCOUNTS

The consolidated accounts set out on pages 46 to 96 were approved by the Board of Directors on 25 March 2013.

Notes To The Accounts

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES AS AT 31 DECEMBER 2012

Name	Place of establishment and operation	Nominal value of issued ordinary share capital/ registered capital	Equity interest attributable to the Group		Type of legal entity	Principal activities
			As at 31 December			
			2012	2011		
Subsidiaries						
Hutchison Healthcare Limited	The PRC	RMB207,460,000	100%	100%	Limited liability company	Manufacture and distribution of healthcare products
Hutchison MediPharma Limited	The PRC	US$37,500,000	100%	100%	Limited liability company	Research and development of pharmaceutical products
Sen Medicine Company (France) SARL	France	Euro1,107,500	100%	100%	Limited liability company	Distribution of TCM based consumer products
Hutchison Hain Organic (Hong Kong) Limited ("HHOL") (note)	Hong Kong	HK$1,000,000	50%	50%	Limited liability company	Wholesale and trading of healthcare and consumer products
Hutchison Consumer Products Limited	Hong Kong	HK$1	100%	100%	Limited liability company	Wholesale and trading of healthcare and consumer products
Hutchison Hain Organic (Guangzhou) Limited ("HHOGZL") (note)	The PRC	US$3,000,000	50%	50%	Limited liability company	Wholesale and trading of healthcare and consumer products
Jointly controlled entities						
Shanghai Hutchison Pharmaceuticals Limited	The PRC	RMB88,000,000	50%	50%	Limited liability company	Manufacture and distribution of TCM products
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited	The PRC	RMB200,000,000	40%	40%	Limited liability company	Manufacture and distribution of TCM products

Note:

HHOL and HHOGZL are regarded as subsidiaries of the Group as the Group has the power to govern the financial and operating policies of HHOL and HHOGZL.

Information For Shareholders

Listing
The Company's ordinary shares are listed on the Alternative Investment Market operated by London Stock Exchange plc

Code
HCM

Financial Calendar
Closure of Register of Members	9 May 2013 to 10 May 2013
Annual General Meeting	10 May 2013
Interim Results Announcement	July 2013

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Investor Information
Corporate press releases, financial reports and other investor information on the Company are available online at the Company's website.

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Forward Looking Statements
This annual report contains forward looking statements. Forward looking statements include statements concerning plans, objective goals and strategies, future events or performance, and underlying assumptions and other statements that are other than statements of historical fact. These statements are subject to uncertainties and risks including but not limited to, the ability to meet on-going capital needs, products and service demand and acceptance, changes in technology, economic conditions, the impact of competition, the need to protect proprietary rights to technology, government regulation and other risks as noted herein and in statements filed from time to time with applicable securities regulating authorities.


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