CHI-MED

A Hutchison Whampoa Company

HUTCHISON CHINA MEDITECH LIMITED
和黄中国医药科技有限公司

China Healthcare
Drug Research & Development
Consumer Products

2013 Annual Report

Corporate Information

BOARD OF DIRECTORS

Chairman
Simon TO, BSc, ACGI, MBA

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

Non-executive Directors
Shigeru ENDO, BA
Christian SALBAING, BA, LLL, JD
Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS (PE)

Independent Non-executive Directors
Christopher NASH, BSc, MBA, ACGI
Senior Independent Director
Michael HOWELL, MA, MBA, HonFCGI
Christopher HUANG, BA, BMBCh, PhD, DM, DSc, FSB

AUDIT COMMITTEE
Michael HOWELL *(Chairman)*
Christopher HUANG
Christopher NASH

REMUNERATION COMMITTEE
Simon TO *(Chairman)*
Michael HOWELL
Christopher NASH

TECHNICAL COMMITTEE
Christopher HUANG *(Chairman)*
Simon TO
Christian HOGG

COMPANY SECRETARY
Edith SHIH

NOMINATED ADVISER
Panmure Gordon (UK) Limited

CORPORATE BROKERS
Panmure Gordon (UK) Limited
UBS Limited

AUDITOR
PricewaterhouseCoopers

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* This Annual Report is in English and Chinese. In case of any inconsistency, the English version shall prevail.

Our Business

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

China Healthcare Division – Continuing strong growth

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

Drug R&D Division – Step-change developments approaching

- Revenue up 327% to $29.5 million (2012: $6.9m) as a result of $22.2 million in upfront and milestone income and $7.3 million in service income from our partners.
- Secured $54.8 million in third-party cash injections for Hutchison MediPharma Limited's ("HMP") activities during 2013, bringing the total to $103.6 million since 2010.
- Net loss attributable to Chi-Med equity holders of $2.4 million (2012: net profit $2.8m) due primarily to the consolidation of $8.8 million (2012: nil) non-cash share of the loss of Nutrition Science Partners Limited ("NSP"), the JV with Nestlé Health Science SA ("Nestlé Health Science"). NSP, which is enrolling patients in the HMPL-004 global Phase III registration trial, was entirely self-funded in 2013, and will be until the Interim Analysis in mid-2014, by the initial cash equity investment in NSP by Nestlé Health Science.

All figures are reported in US dollar currency unless otherwise stated

Highlights

Drug R&D Division – Step-change developments approaching (Continued)

- Progressed global development of Volitinib (HMPL-504), a c-Met inhibitor in oncology, in partnership with AstraZeneca AB (publ) ("AstraZeneca") in Phase I in Australia and China. Phase I dose escalation, initiation of which triggered a $5 million milestone in mid-2013, will be completed by early 2014 and results will be published at the American Society of Clinical Oncology ("ASCO") meetings in June 2014. Volitinib has demonstrated very encouraging anti-tumour activity in Phase I in certain tumour-types, some of which have no approved therapies on the global market. Phase II studies in papillary renal cell carcinoma ("PRCC") will start in early 2014 in the United States and global Phase III initiation is scheduled for 2015.
- Completed exclusive license and collaboration agreement for China with Eli Lilly and Company ("Lilly") on Fruquintinib (HMPL-013), our highly selective vascular endothelial growth factor receptor ("VEGFR") inhibitor. Lilly will share development costs and pay HMP up to $86.5 million in upfront payments and development and regulatory milestones and upon commercialisation in China tiered royalties starting in the mid-teens percentage of net sales. Fruquintinib, which received Phase II/III clearance from the China Food & Drug Administration ("CFDA") in mid-2013, will start Phase II studies in several tumour types, and a Phase III registration study on one tumour type, in China in 2014.
- Immunology collaboration with Janssen Pharmaceuticals, Inc. ("Janssen"), the pharmaceutical division of Johnson & Johnson, progressed well in 2013. Janssen nominated a compound, HMPL-507, discovered by HMP, for further development thereby triggering a $6 million milestone payment. Janssen will be responsible for all development costs and will potentially pay HMP up to an additional $90.5 million in development and regulatory approval milestones, and royalties on worldwide sales upon commercialisation.
- Beyond the four partnered drug candidates, HMP has effectively progressed three further high potential small molecule oncology drug candidates with stand-out results on Sulfatinib which in 2013 demonstrated very encouraging anti-tumour activity in certain tumour types, some of which have very limited treatment options approved on the global market.
- In discovery, HMP nominated HMPL-523 in early 2013, a novel Syk inhibitor, for rheumatoid arthritis and intends to start Phase I trials in Australia in early 2014.

Consumer Products Division – Refocused

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

Chairman's Statement

Simon To
Chairman

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

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

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

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

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

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

Chairman's Statement

Revenue
(% change 2013 VS. 2012)
+106%

Net Profit Attributable to Equity Holders
(US$ million)
5.9

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

Group Strategy

The scale and potential of the economy of China and its pharmaceutical industry remain our key focus. They are driven by dynamics which are set to continue. On the one hand, the growth of China's national healthcare plan, together with the growth of personal incomes and an aging population, fuels demand for pharmaceutical products, both prescription and OTC. Our China Healthcare Division is well positioned to benefit from this increased demand. On the other hand, China is increasingly becoming recognised as an emerging centre of pharmaceutical drug research and development. Our Drug R&D Division is recognised as a leading innovator, with one of the strongest oncology and immunology pipeline, and continues to benefit from its first mover position, the inherently lower operating cost base in China and the massive patient populations as compared to Western economies.

We also continue to benefit from our deep understanding of the China market and the long-standing benefits of the scale and experience of Hutchison Whampoa 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 almost nine-fold from approximately $14.1 billion in 2005 to approximately $122.7 billion in 2012.

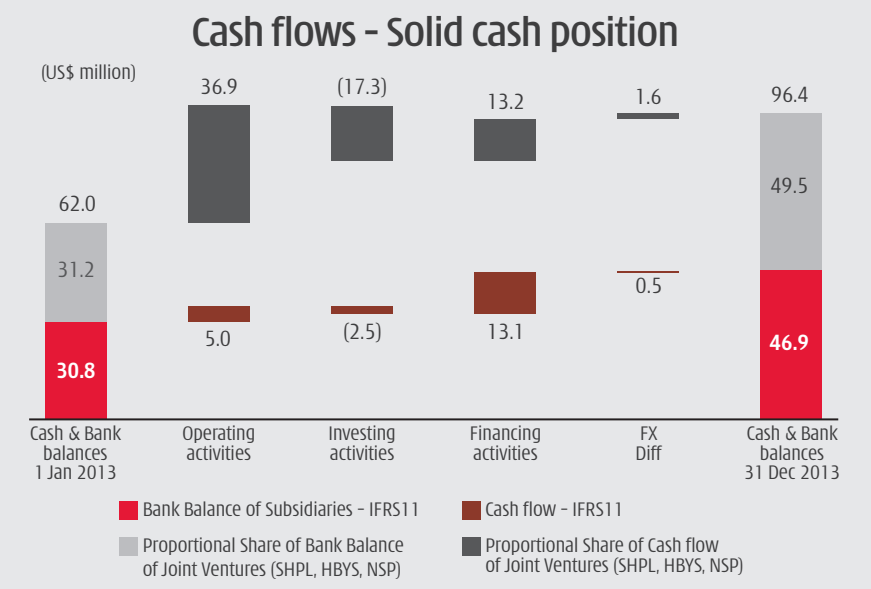
This translates directly into greater consumption of pharmaceuticals. Looking forward, this rapid growth is set to continue as China continues to widen and deepen its State Medical Insurance Schemes and catches up with the developed world in terms of per capita healthcare spending. There remains a long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

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

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

Drug R&D Division

We have built HMP into one of China's leading end-to-end oncology and immunology drug R&D operations, and we have recorded above some of its key achievements in 2013. Stability in its purpose and funding has enabled HMP to build and maintain a unique and highly productive discovery team, which has built a broad and diversified pipeline of new drug candidates which we believe have good potential, both in the fast growth China market and, in a number of cases, on a global level.



The drug discovery and development arena in China has made major advances in the past fourteen years since we began our efforts. In the interests of the public health, the CFDA, has modernised the drug registration pathway and, particularly in oncology, this is now becoming comparable with the developed world. The biotech ecosystem in China has also advanced substantially. This has been driven by the major trend by multi-national pharmaceutical companies to show interest in, and outsource a portion of their discovery work to China. The result is that world-class drug R&D and innovation is now clearly possible in China.

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

Consumer Products Division

Our Consumer Products Division enables Chi-Med to capture part of the growing consumer trend towards healthy living and to capitalise on the considerable consumer products synergies with the broader Hutchison Whampoa group. We have reviewed the structure of this division and cut the loss-making activities. In future, we will focus on the growth of our successful partnership with The Hain Celestial Group, Inc. (Nasdaq: HAIN) ("Hain Celestial") and our access to the broad retail and distribution network of Hutchison Whampoa.

Cash and Finance

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

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

Dividend

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

The Board

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

Employees

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

Simon To
Chairman

17 February 2014

Operations Review

Christian Hogg
Chief Executive Officer

To date, Chi-Med, its partners, and other sources of finance have invested approximately $200 million into what is now China's leading end-to-end oncology and immunology drug R&D operation.

Group Results

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

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

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

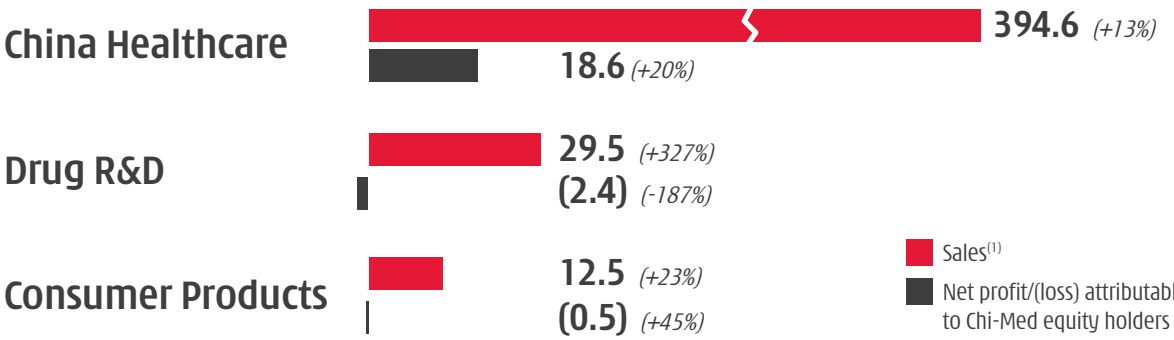
Finance costs were $1.5 million (2012: $1.2m) primarily reflecting the continued borrowing at HHL in the China Healthcare Division, and interest on a partial drawdown of the credit facility of Chi-Med.

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

China Healthcare

2013 Performance by Division

US$ million (% change 2013 vs. 2012)



Note: (1) Sales of subsidiaries and joint ventures

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

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

China Healthcare Division

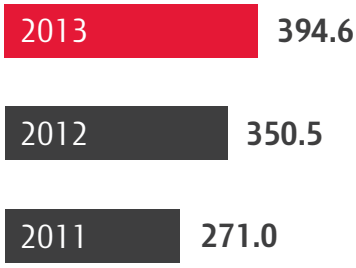
In addition to the rapid expansion and evolution of the broader pharmaceutical industry in China and our key competitive advantages in this sector, we believe that our China Healthcare Division will benefit from the establishment of our new 51% owned strategic joint venture with Sinopharm in the drug distribution and commercialisation arena; the continuing near-term reduction in key raw material prices; and the realisation of significant property assets. In total, we believe, these three factors will combine to translate into an increasingly material source of profit and cash for the Group.

Financial Performance: Sales of Chi-Med's subsidiaries and JVs of the China Healthcare Division grew 13% to $394.6 million in 2013 (2012: $350.5m) driven mainly by the 14% organic sales growth in our primary own brand prescription and OTC drug products business to $343.0 million (2012: $300.1m). In 2013, however, we consciously decided to pull back working capital from our HHL nutritional supplements business as well as shed low profit lines in HBYS' Good Supply Practice ("GSP") OTC drug distribution subsidiary – in aggregate these actions led to flat sales in these secondary businesses of $55.6 million (2012: $55.7m).

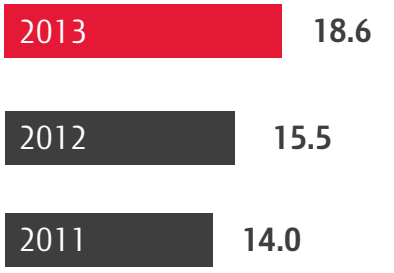
The outcome of strong volume growth on our primary own brand business combined with our focus on profit in our secondary businesses was a very strong increase in net profit attributable to Chi-Med equity holders up 20% to $18.6 million (2012: $15.5m).

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

China Healthcare Division Sales(1) (US$ million)



Net Profit Attributable to Equity Holders (US$ million)



China Healthcare

Product Portfolio 2013 Sales [1]

US$ million (% change 2013 vs. 2012)

Total

394.6

(+13%)

She Xiang Bao Xin pills

Ban Lan Gen granules

Fu Fang Dan Shen tablets

She Xiang Bao Xin pills
Cardiovascular
123.6
(+21%)

Ban Lan Gen granules
Anti-Viral
74.2
(+13%)

Fu Fang Dan Shen tablets
Angina
71.9
(+20%)

Kou Yan Qing granules
Periodontitis
16.3
(+0%)

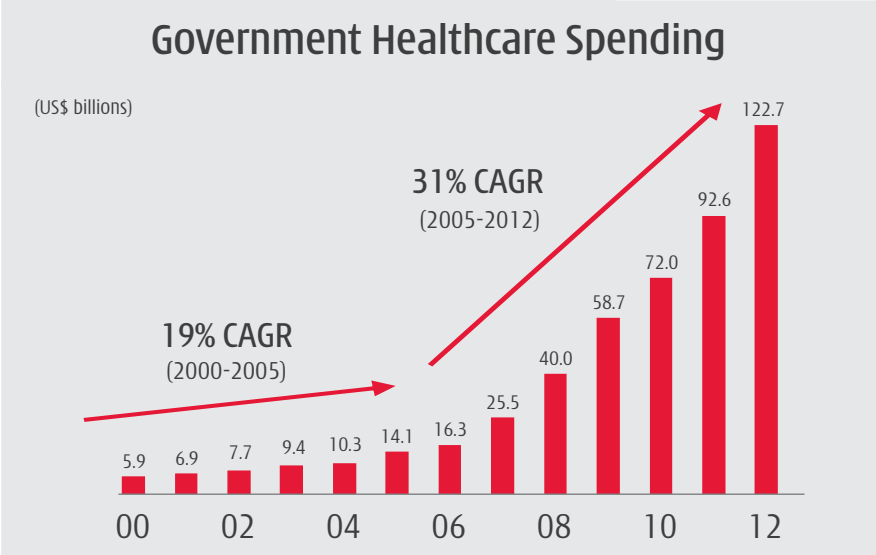
Dan Ning tablets
Gallbladder
12.4
(+6%)

Nao Xin Qing tablets
Cerebrovascular
10.1
(+46%)

Zhi Ling Tong capsules
Foetal/Infant Development
3.4
(-23%)

Others
82.7
(-1%)

Note: (1) Sales of subsidiaries and joint ventures



Note: Deutsche Bank, CEIC, Ministry of Health

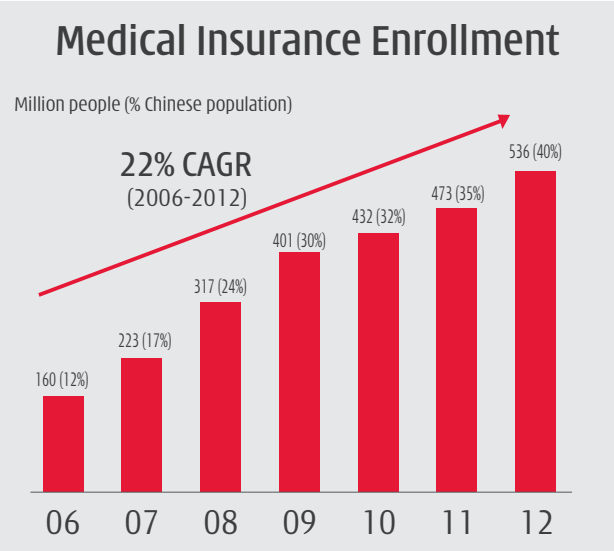
The China Healthcare Division currently manufactures and sells two household name brands in the pharmaceutical industry in China, the OTC brand Bai Yun Shan (meaning "White Cloud Mountain", a famous scenic area in Guangzhou) and the Shang Yao brand (literally meaning "Shanghai Pharmaceuticals"). Our products have extensive representation on the current Medicines Catalogue for the National Basic Medical Insurance, Labour Injury Insurance and Childbirth Insurance Systems ("NMC") as well as the current National Essential Medicines List ("Essential Medicines List") which mandates distribution of drugs in China. Our China Healthcare Division focuses mainly on products and brands which have leadership market shares in the Chinese cardiovascular and cold/flu drug markets. Our product portfolio is well diversified. We own product licenses for over 200 drugs and registered health supplements in China, with over 80% of our China Healthcare Division's sales in 2013 coming from nine core products – six of them are OTC drugs, two prescription drugs, and one nutritional supplement.

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

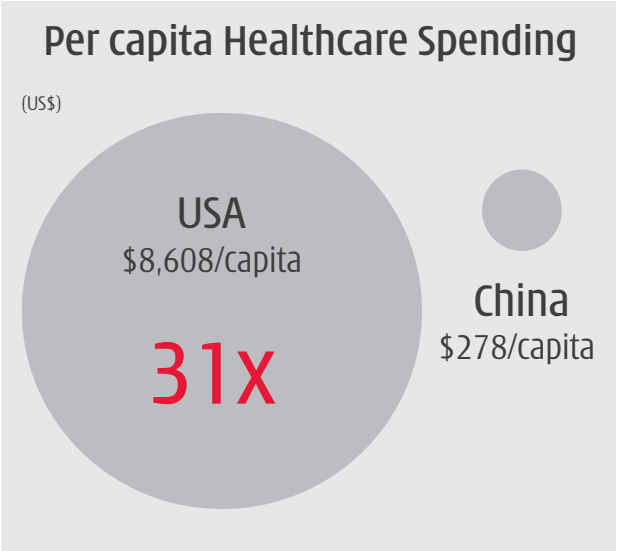
China Pharmaceutical Market Dynamics: China is the world's third largest pharmaceutical market and is widely expected to surpass Japan to become the second largest pharmaceutical market globally by 2015 or 2016. There have been two main drivers behind the compound annual growth rate of over 20% in the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

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

China Healthcare



Note: National Bureau of Statistics



Note: Citigroup (2011 data)

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

In addition to these state/employer sponsored healthcare insurance schemes, the private healthcare system is growing rapidly in China and household spending on healthcare is significant. In 2012, private hospitals represented 7% of all hospital revenue in China, along with 14% of the total hospital beds and 11% of physicians. A total of approximately 12% of household disposable income in China was spent on healthcare in 2011, indicating that healthcare is a very high priority to Chinese families.

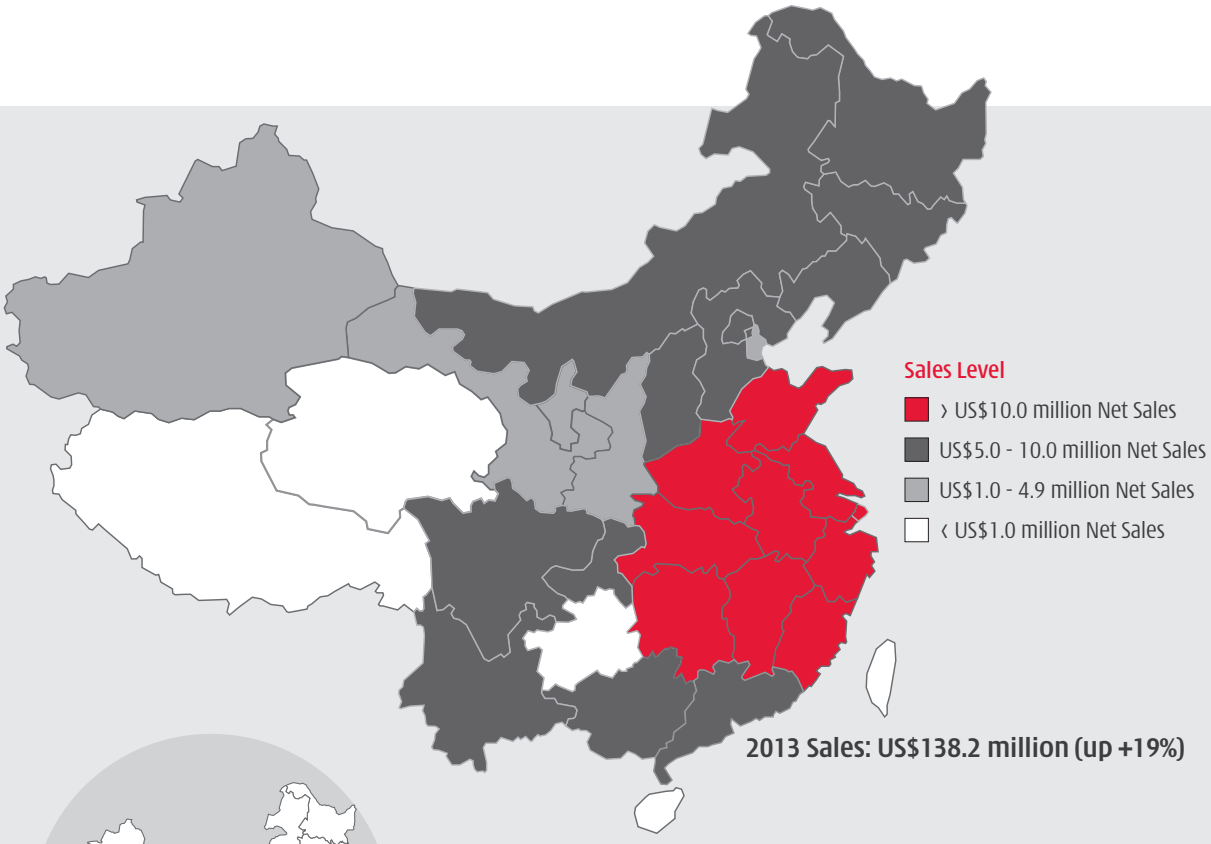
TCM Market Sub-sector: The products sold in the China Healthcare Division are currently all TCM. TCM represents approximately 46% of the drugs listed in the National Drug Reimbursement Catalogue in 2010 and approximately 43% of the $176 billion prescription and OTC drug sales in China in 2012 (2011: 43% and $158 billion). TCM remains a stable and growing industry in China and is heavily supported by the Chinese Government because of its proven efficacy and generally lower cost. TCM is considered a highly efficient form of mainstream healthcare particularly in lower income areas and rural China – this has led to compound annual growth in TCM drug sales of 23.1% between 2002 and 2011 as compared to 21.3% for chemical drugs.

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

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

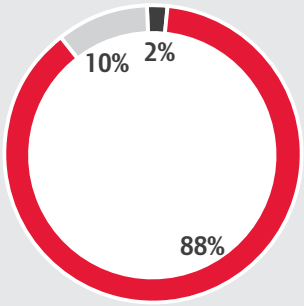
SHPL - 2013 Sales-by-Province

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)

SHPL Main Products by Sales:



Danning Tablet
(Gallbladder)

China Healthcare

Shanghai Hutchison Pharmaceuticals Limited

Prescription Drugs - SHPL

SHPL grew prescription drug sales 19% to $138.2 million in 2013 (2012: $116.5m), all of which was from existing products. Since 2005, its compound annual sales growth has averaged 25%. This high level of organic growth has been sustained in recent years primarily because of the effective expansion of our commercial network across China and the strong position of our main drugs on both the Essential Medicines List and the NMC.

SHPL holds a portfolio of 73 registered drug licenses in China. At the end of 2013, a total of 32 SHPL products (2012: 32) were included in the NMC with 17 designated as Type-A and 15 as Type-B and with 99.7% of all SHPL sales in 2013 capable of being reimbursed under the National Basic Medical Insurance, Labour Injury Insurance and Childbirth Insurance Systems ("National Insurance Systems"). In addition, a total of 14 SHPL drugs, of which 3 are in active production, were included on the Essential Medicines List with one of these drugs being SXBXP, SHPL's proprietary cardiovascular prescription drug.

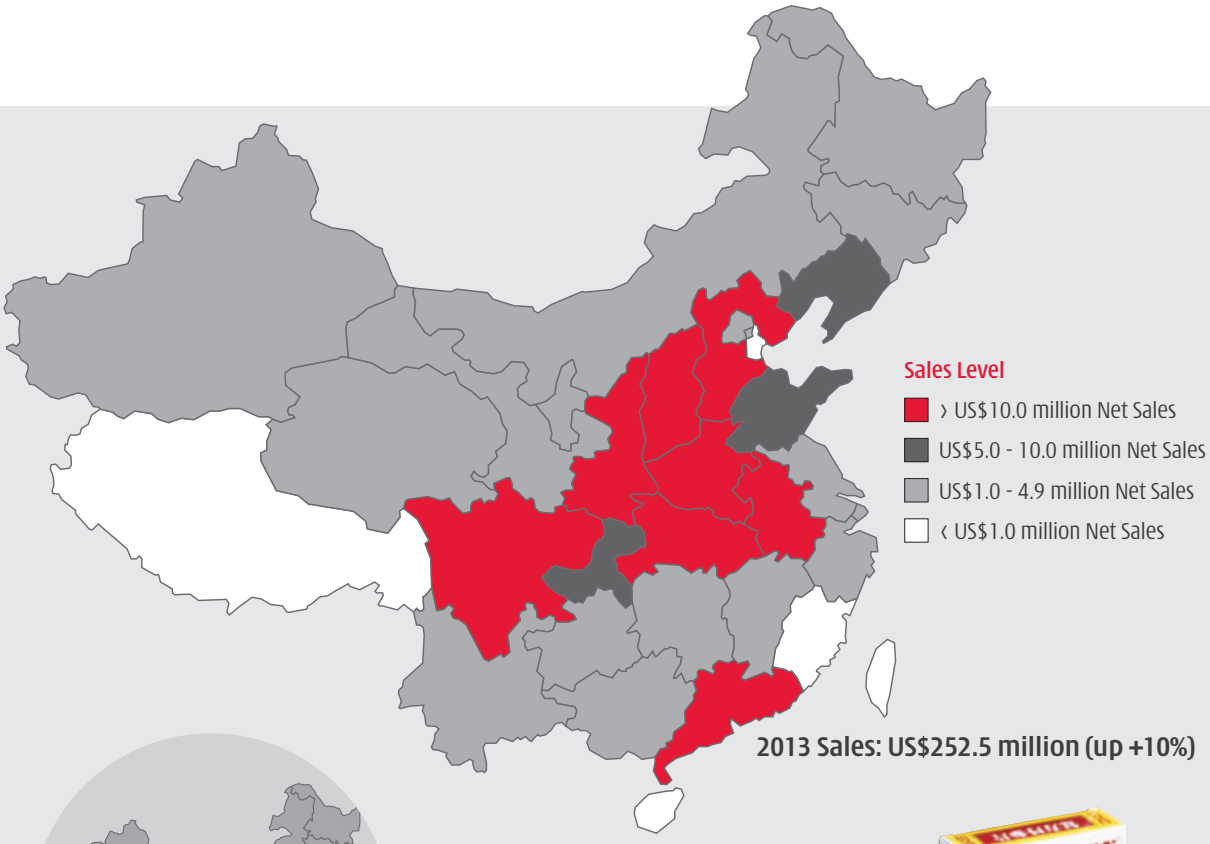
The cardiovascular drug market is the second largest therapeutic class, after antibiotics, in China with a 13.4% share of the entire pharmaceutical market in 2012 (2011: 13.1%). The market has grown at 19% compounded annually from 2009 to 2012. The development of the cardiovascular market is directly related to the average age of the population which is set to continue to increase in line with the trend in China of people living longer. In 2011, 12% of the total Chinese population was over 65 years old compared to 7% in 2000 and just 4% in 1964.

Sales of SXBXP, a vasodilator used in the treatment of heart conditions, grew 21% to $123.6 million (2012: $102.2m) again making it the China Healthcare Division's single largest product. SHPL is the only manufacturer of SXBXP in China, and the intellectual property of the drug remains well protected. SXBXP is included in the Essential Medicines List and holds Type-A NMC drug status, which means it is fully reimbursed in all provinces under the NMC. The "Confidential State Secret Technology" status protection on SXBXP, as certified by China's Ministry of Science and Technology and State Secrecy Bureau, has been extended by seven years until late 2016. In addition, SHPL has in the past five years redoubled efforts to patent SXBXP for the long-term and one 20-year patent and three 10-year patents have been awarded and five remain under review.

SHPL has continued to make solid progress in expanding beyond its east China base where it held leadership market share of approximately 39% among the main TCM cardiovascular prescription drugs in Shanghai in 2012. Geographical expansion has been helped by the gradual roll-out of the Essential Medicines List. In 2013, SHPL's sales in its long established and mature east China markets of Shanghai, Jiangsu and Zhejiang provinces grew 11% to $62.6 million (2012: $56.2m) while at the same time, its sales outside east China again grew more rapidly, up 25% to $75.5 million (2012: $60.3m). Sales outside east China represented 55% of SHPL's total sales in 2013, compared to only 38% ($15.0m) in 2008. This indicates both the continued broadening of our national presence and the significant further geographical expansion potential. SHPL also continued to build its second ranked product, Dan Ning tablet despite strong competition in the gallbladder/inflammation category with sales growth of 6% to $12.4 million (2012: $11.6m). Dan Ning tablet is a unique Type-B NMC drug with patent protection lasting until 2027.

HBYS - 2013 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.

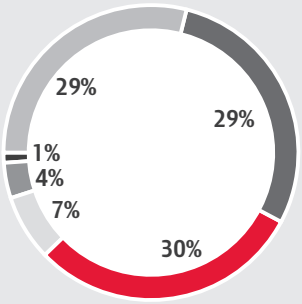


2013 Sales: US$252.5 million (up +10%)

2012 Sales: US$228.7 million

Fu Fang Dan Shen tablets (Angina)

HBYS Main Products by Sales:



- Angina (FFDS)
- Anti Viral (BLG)
- Periodontitis (KYQ)
- Cerebrovasular(NXQ)
- Inflammation (CXL)
- Others

Ban Lan Gen granules (Anti-Viral)

China Healthcare

As well as its strong portfolio of reimbursed prescription drugs and its trusted Shang Yao brand, SHPL's main strength remains its powerful, regimented, and scalable commercial team. At the end of 2013, SHPL had over 1,600 medical sales representatives and marketing staff (2012: approx. 1,500), managing distribution and sales of SXBXP in over 13,000 hospitals (2012: approx. 10,000) in China. This still only covers some 54% of over 24,000 hospitals in China in 2013, indicating that substantial distribution channel expansion potential exists.

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

OTC Drugs – HBYS

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

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

In 2013, HBYS' five main products accounted for 70.2% of HBYS sales (2012: 67.9%) as we put greater emphasis on scaling up marketing spend on our own brands as raw material prices normalised and with re-prioritising and shedding of some of the lower margin GSP distribution activities. These products are Banlangen granules, an anti-viral treatment; FFDS tablets, principally for angina; Kou Yan Qing granules for periodontitis; Xiao Yan Li Dan tablets for liver/gallbladder; and Nao Xin Qing tablets for heart disease and stroke prevention.

The disease categories in which our two main OTC products compete are cardiovascular (FFDS) and cold/flu (Banlangen). The cardiovascular category has been reviewed above in the context of SHPL's SXBXP and the growth potential also applies to FFDS tablets. The second key category in which HBYS competes, cold/flu, is also a very relevant market in China. According to a recent Citigroup rural hospital survey, over 80% of responders identified cold/flu as the most common disease diagnosed/treated in rural areas, and cold/flu also rated as the third fastest growing disease category. We expect this trend to lead to substantial growth in the cold/flu drug market in China and given HBYS' leadership market share in the generic Banlangen subcategory, a subcategory which represented about 7% of the entire cold/flu market in China in 2010, we believe the outlook for HBYS growth is positive.

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

Sponsorship of Shanghai Marathon 2013

Sales of FFDS tablets, HBYS' OTC treatment for angina, grew 20% in 2013 to $71.9 million (2012: $60.2m). Dramatic increases in the prices of raw materials used in FFDS, during 2009 and 2010, led HBYS to implement major price increases on FFDS of 24% in early 2010, a further 24% in 2011 and 4% in 2012. This led to softness in volume sales. The raw material price increases were caused, we believe, more by speculation triggered by drought-driven supply constraints. Several companies in China stockpiled the raw materials in order to profit by selling to manufacturers at higher prices. According to an article in the National Business Daily, the supply of Sanqi, the key herb in FFDS which takes three years to grow, averaged approximately 4,500, 4,900, and 4,700 tons per year in 2009, 2010 and 2011 respectively. This compares to an estimated demand of about 7,000 tons per year during that period. Accordingly, the market price of Sanqi increased from about RMB50 per kilogram in 2008 to RMB800 per kilogram in mid-2013. The harvest in 2013 was about 10,000 tons (2012: 6,500 tons) and based on actual plantation areas the harvest in 2014, which starts to come to market in spring, should be no less than 20,000 tons. As predicted, this emerging oversupply has led to the start of the collapse in Sanqi raw material pricing, which fell over 50% to about RMB390 per kilogram in the second half of 2013. We believe that the price of Sanqi will continue to drop over the coming year. This will materially benefit the growth prospects and profitability of FFDS and HBYS. HBYS remained one of the market leaders in the China generic FFDS market throughout this extended period of raw material inflation.

Kou Yan Qing granules

Xiao Yan Li Dan tablets

As previously reported, HBYS has been working to upgrade, to new Chinese GMP standards, and expand its production facilities over three-fold through a move away from its existing site in Bai Yun district (about 9km from Guangzhou city centre). Our intention is to split future manufacturing activities into two functions, extraction (herb processing) and formulation (final product/packaging), and conduct these functions at two separate facilities. Extraction will be conducted at a new facility in Bozhou city, Anhui province. Bozhou is host to the largest herb wholesale market in China due to its proximity to planting sites and central location in China. HBYS acquired, and broke ground on, the approximately 230,000 square metre plot of land for the Bozhou extraction plant in 2013 and is on track to migrate extraction to this site during 2015.

Ban Lan Gen granules

Fu Fang Dan Shen tablets

Separately, HBYS has acquired an approximately 66,000 square metre plot of land in Zhong Luo Tan district (about 40km from Guangzhou city centre) to build a new formulation factory. Both plots of land, in Bozhou and Zhong Luo Tan were procured at low cost and secured material local government incentives aimed at attracting major tax paying companies like HBYS to their areas. In addition to these actions, HBYS successfully attained new Chinese GMP certification in December 2013 on its existing site in Bai Yun district thereby eliminating any transition risk associated with the moves.

China Healthcare

Prescription Drug Distribution and Marketing – Hutchison Sinopharm

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

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

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

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

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

Nutritional Supplements – HHL

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

All HHL's sales were accounted for by its Zhi Ling Tong ("ZLT") infant and pregnant mother supplements brand. Pregnancy supplementation is an important market in China in which HHL currently sells three ZLT licensed health supplement products: ZLT DHA capsules, the omega-3 product for use by pregnant and lactating women to promote brain and retinal development in babies; ZLT calcium powder for bone growth; and ZLT probiotic powder for toddler immunity.

Zhi Ling Tong booth at Shanghai baby products fair

Property Update on SHPL/HBYS Production Expansion

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

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

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

Drug Research & Development

Hutchison MediPharma Limited

Drug R&D Division

Thirteen years ago we established our Drug R&D operation, Hutchison MediPharma Holdings Limited ("HMHL"). To date, Chi-Med, its partners, and other sources of finance have invested approximately $200 million into what is now China's leading end-to-end oncology and immunology drug R&D operation. We are creating highly innovative therapies for launch in the fast growth China market and the global market.

This business is likely to be Chi-Med's greatest driver of transformational near-term value creation should any of our drug candidates successfully complete clinical development and reach the market. Over the past three years the quality and potential of HMP's research and development has been well validated and recognised by some of the largest and most influential companies in the pharmaceutical and healthcare industry. Our key partners AstraZeneca and Lilly in oncology, and Nestlé Health Science and Janssen in immunology, have each invested and committed to invest in HMP's clinical development programmes thereby allowing us to fully realise their potential, both in China and the rest of the world.

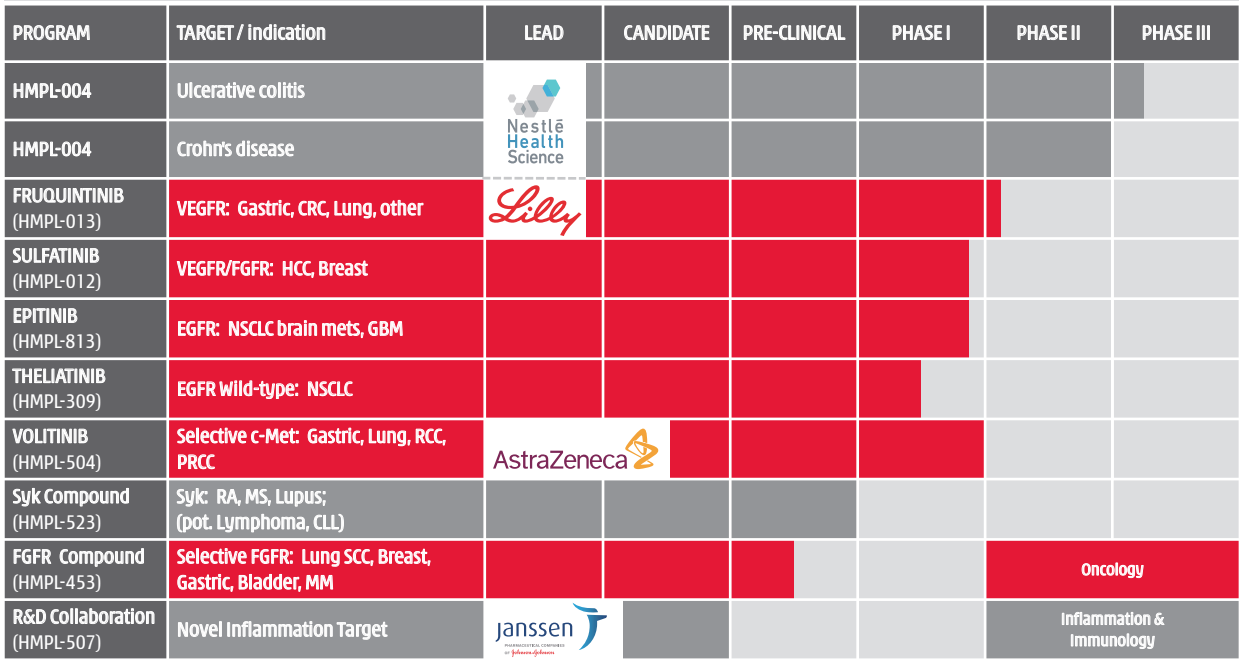
These breakthrough partnerships demonstrate our strategy in practice. They show how we can fund our discovery and clinical trial programmes through upfront and milestone payments and ultimately substantial commercial milestones and royalty streams.

These partnerships are all global in scope. They cover three clinical drug candidates (Volitinib, Fruquintinib, and HMPL-004) and one late-stage preclinical drug candidate (HMPL-507, the Janssen inflammation compound). We retain a major part of the up-side on these four high potential candidates while dramatically reducing the financial risk to HMP. In aggregate, and subject to clinical success, the four partnerships have the following financial impact on HMP and NSP (HMP's 50% held JV with Nestlé Health Science): $72 million in upfront payments, milestones, and equity injections had been received as at 31 December 2013; up to a further $476 million is scheduled in future development and regulatory approval milestones; up to $145 million in further option payments and up to $560 million in commercial milestones. Royalties on net sales will be at a customary level.

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

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

HMP holds China's leading oncology & immunology pipeline
Risk is now well balanced through 4 deals with major partners



Note: HCC: Hepatocellular carcinoma or liver cancer; RA: Rheumatoid Arthritis; CRC: Colorectal cancer or colon cancer; NSCLC: Non small cell lung cancer; RCC/PRCC: Renal/ Papillary renal cell carcinoma (kidney cancers); GBM: Glioblastoma or brain cancer; MS: Multiple Sclerosis.

Market Dynamics: During the past ten to fifteen years, the China biotech industry has grown from almost nothing to an ecosystem that is catching up to the US and Europe in certain aspects. This biotech ecosystem has made world-class drug R&D and innovation possible in China. For its part, the CFDA continues to make major strides in formalising, communicating, and expediting the new drug registration process in order to meet the public health need.

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

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

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

As our broad clinical pipeline rapidly progresses, the financial and organisational requirements on HMP are mounting. We have taken two steps in the past three years to mitigate the impact of our investments. Firstly, we have licensed/partnered with major multinationals to bring cash into HMP, shared the great majority of clinical expenses with them, and benefited from their considerable technical know-how. Secondly, we have been expanding research collaborations in order to allow the unique research platform of about 200 scientists and staff, which HMP has created in China, to generate cash to help support and sustain itself through providing fee-based services to our partners. As a result, in total in 2013, HMP's subsidiaries and JVs received aggregate cash and equity injections and contractual obligations of $54.8 million in cash (2012: $2.3m). These cash injections and obligations came primarily from AstraZeneca, Janssen, Lilly and Nestlé Health Science.

Drug Research & Development

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

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

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

Hutchison MediPharma Shanghai

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

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

HMP Research and Development Strategy

HMP is set up to support and fund research and development of our drug candidates against targets, generally proteins or enzymes, associated with the pathogenesis of cancer or inflammation. We employ a diversified portfolio approach focusing on three main categories: (i) synthetic compounds against novel targets with global first-in-class potential, which includes Volitinib, HMPL-523, HMPL-453 and HMPL-507 our collaboration compound with Janssen; (ii) synthetic compounds against validated targets with clear differentiation for best-in-class/next generation therapy in their respective categories, including Fruquintinib, Sulfatinib, Epitinib and Theliatinib; and (iii) botanical drugs against multiple targets, including HMPL-004 and the research currently being conducted within the NSP JV.

Product Pipeline Progress

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

Unmet needs in IBD: With annual drug sales of about $8 billion across the seven major markets (US, Japan, France, Germany, Italy, Spain, and United Kingdom) IBD is a very large therapeutic area. However, there remain clear unmet medical needs in its treatment. These include the need for novel agents which can induce and maintain remission among first-line Mesalamine (5-ASA) non-responding or intolerant patients, and the need for safer agents without the side effects of corticosteroids and immune suppressors.

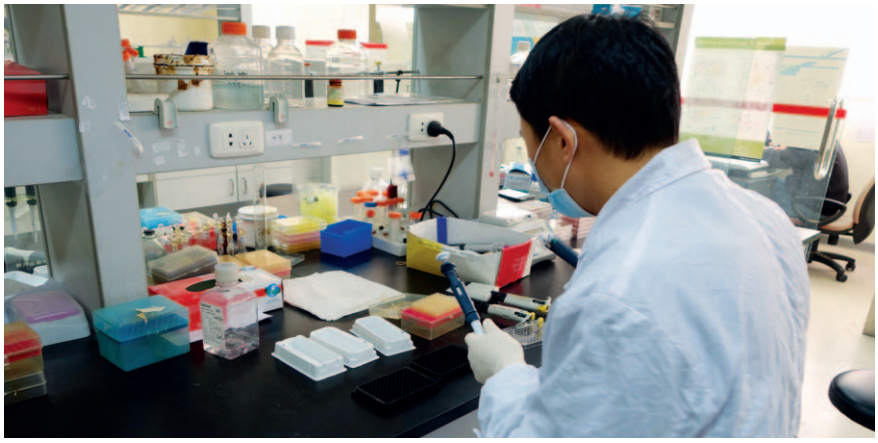
HMPL-004-a highly differentiated therapy

	5-ASAs	HMPL-004	Biologics
Mechanism of Action	Non-selective – multiple targets; COX, LO, PPARγ, etc.	Inhibition of pro-inflammatory cytokines	Anti-TNF
Route of Administration	Oral, local	Oral	Injectable
Clinical Response	40-60%	~70% (Phase II data)	~70%
Maintenance Efficacy	Varies	Good potential	Good
Side Effects	Minor	Minor	Infection risks with black box warning
Annual US$ Treatment Cost	$2,000 to $7,000	TBD	$15,000 to $20,000

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

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

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



Hutchison MediPharma Shanghai

Drug Research & Development

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

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

Volitinib: Volitinib (HMPL-504) is a potent and highly selective c-Met inhibitor for the treatment of cancer, which has been demonstrated to inhibit the growth of tumours in a series of pre-clinical disease models, especially for those tumours with aberrant c-Met signalling such as gene amplification or c-Met over expression. In addition, these biomarkers provide the potential to explore patient selection strategies in later stage clinical trials.

c-Met is an important target

Indication	c-Met			New Cases (2008)	
	Amplification	Mutation	Over-Expression	Global	China
Stomach	10%	1%	41%	989,598	464,439
Lung	4%	8%	67%	1,608,823	522,050
Head & Neck	11%	27%	46%	653,199	76,370
Melanoma				197,402	3,825
Colon	10%		65%	1,233,711	221,313
Multiple Myeloma				102,762	5,909
Ovarian	4%	4%	33%	225,484	28,739
Kidney (PRCC)		100%		30,150	3,612
Kidney (Others)		13%	79%	271,348	32,508
Esophagus	4%		92%	482,239	259,235
Total				5,794,716	1,618,000

In December 2011, HMP signed a global licensing deal with AstraZeneca on Volitinib and then followed up with the start of Phase I study in Australia in February 2012. This Phase I clinical study is designed to find the maximum tolerated dose and recommended Phase II dose. This study has to-date enrolled and treated 30 patients in seven dose cohorts with the drug administered either once daily or twice daily, the majority of patients being Caucasian.

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

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

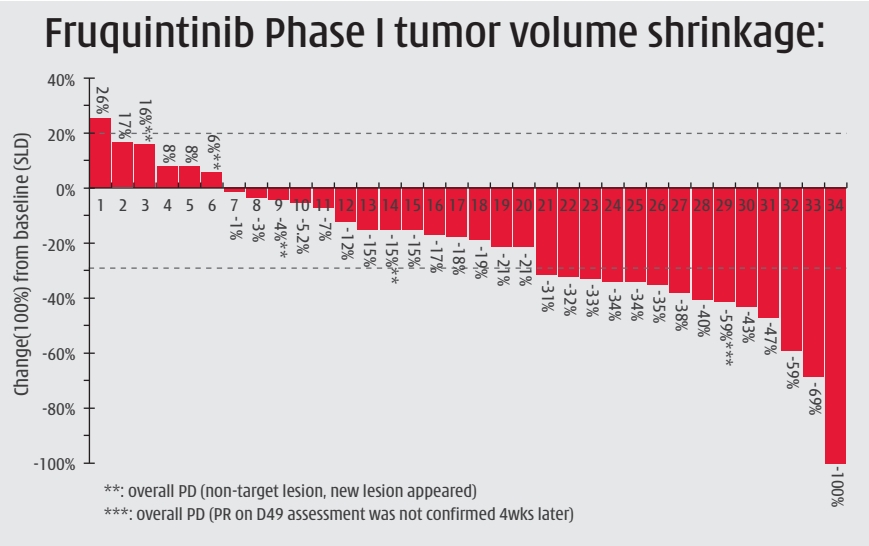
Since PRCC has no approved therapy on the global market, HMP and AstraZeneca intend to start a global Phase II PRCC study in early 2014 followed by Phase III global registration study in 2015. Furthermore, in addition to the PRCC plans, Phase II proof-of-concept studies on several other tumour-types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

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

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

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

Very good preliminary clinical activity has been observed in multiple tumour types, including partial response (greater than 30% reduction in tumour size) in breast, colorectal, gastric and non-small cell lung cancer ("NSCLC") patients. This shows an excellent correlation of the pre-clinical and clinical data with respect to Fruquintinib anti-tumour activity and drug exposure. Across all dose cohorts, overall response rate was 38%, and in the 4mg single dose per day cohort overall response rate was over 46%. In separate Phase I studies, overall response rates for Sutent™ and Nexavar™ were approximately 18% and 2%, respectively.



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

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

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

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

Drug Research & Development

Hutchison MediPharma (Suzhou) Limited ("HMP Suzhou") - Fruquintinib formulation factory

Sulfatinib: Sulfatinib (HMPL-012) is a novel small molecule that selectively inhibits the tyrosine kinase activity associated with VEGF and FGFR. Pre-clinical data shows that Sulfatinib has demonstrated a narrow kinase inhibition profile affecting mainly VEGFR and FGFR and consequently has an attractive anti-tumour profile, and is a potent suppressor of angiogenesis, an established approach in anti-cancer treatment. It targets major cancer types such as hepatocellular carcinoma (liver cancer), neuroendocrine tumours, colorectal cancer and breast cancer. The first-in-human Phase I clinical trial is underway in China and has enrolled and treated 57 patients with the drug given once or twice daily. The Phase I dose escalation is still ongoing. To date, Sulfatinib has demonstrated good safety and tolerability, favourable pharmacokinetic properties, and encouraging preliminary anti-tumour activity in multiple tumour types, including liver cancer. Most encouragingly, in Phase I, Sulfatinib has exhibited anti-tumour activity in some tumour types for which there are limited treatment options approved on the global market. This we believe could potentially lead to accelerated approvals/breakthrough status in China and potentially globally. HMP expects to complete the dose escalation by mid-2014 and report results shortly thereafter.

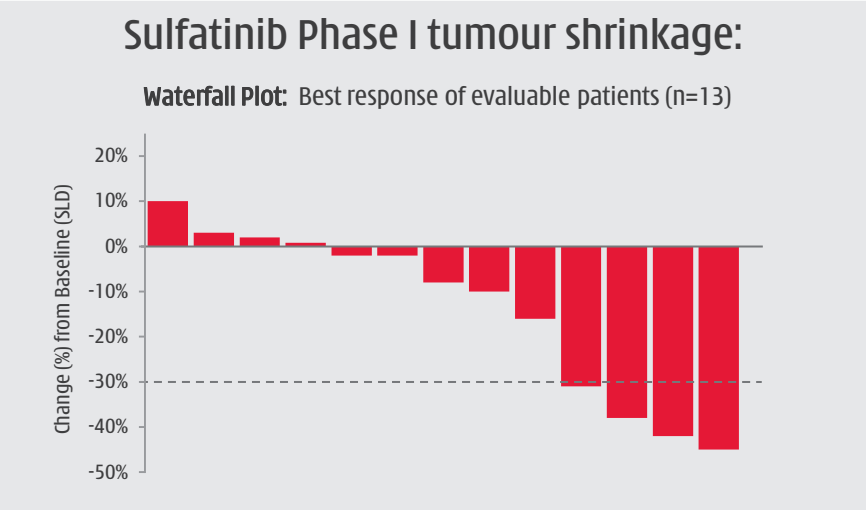
EGFR Inhibitors: EGFR is a protein that is a cell-surface receptor for Epidermal Growth Factor. Activation of EGFR can lead to a series of downstream signalling activities that activate tumour cell proliferation, migration, invasion, and the suppression of cell death. Tumour cell division can happen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

Since 2003, several EGFR inhibitors have been approved globally and in China and are used for the treatment of NSCLC, particularly for patients with EGFR-activating mutations, who make up approximately 10-30% of NSCLC patients. The approved EGFR inhibitors include both small molecule drugs such as Tarceva™ (Roche) and Iressa™

HMP Suzhou - QA/QC labs

HMP Suzhou - Workshop

(AstraZeneca) with 2012 sales of approximately $1.4 billion and $0.6 billion respectively and monoclonal antibodies such as Erbitux™ (indicated for head and neck cancer and colorectal cancer) (Bristol-Myers Squibb and Merck KGaA) with 2012 sales of approximately $1.8 billion. The success of these drugs has validated EGFR inhibition as a new class of cancer therapy. However, there remain several areas of unmet medical needs that represent significant market opportunities, including: (1) brain metastasis and/or primary brain tumours with EGFR activating mutations; (2) tumours with wild-type EGFR activation through gene amplification or over-expression; and (3) T790M EGFR mutation that is resistant to current EGFR inhibitors.



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

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

In pre-clinical studies, Epitinib demonstrated excellent brain penetration, superior to that of current globally marketed EGFR inhibitors, and good efficacy in orthotopic brain tumour models and reached drug concentrations in the brain tissue that are expected to result in robust efficacy when given orally at doses well below toxic levels. The Phase I clinical trial started in China in mid-2011 and by the end of 2013 the trial has enrolled and treated 28 patients with drug given once daily. Epitinib was well tolerated with excellent pharmacokinetic properties up to 240mg per day and has now demonstrated the anti-tumour activity expected from EGFR inhibitors and partial response among patients with NSCLC with EGFR-activating mutation.

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

Hutchison MediPharma Shanghai - Laboratory

Drug Research & Development

Theliatinib: Theliatinib (HMPL-309) is a novel small molecule EGFR inhibitor with strong binding affinity to the wild-type EGFR protein. In pre-clinical testing, it was found to have potent anti-EGFR activity against the growth of not only the tumours with EGFR-activating mutations, but also those without (the majority, also known as wild-type EGFR). Other than NSCLC tumours, most other tumour types have no EGFR-activating mutations. The current EGFR inhibitor products have limited response for these cancers and therefore are limited to only NSCLC patients with the EGFR-activating mutations. The Phase I clinical trial started in China in late-2012 and, amongst the 14 patients that have been enrolled and treated, Theliatinib was well tolerated with good pharmacokinetic properties up to 60mg per day, dose escalation is ongoing. If the pre-clinical findings of wild-type EGFR inhibition are confirmed in humans in Phase I clinical studies, Theliatinib would become a highly attractive next-generation EGFR inhibitor. The final Phase I study results are anticipated to be available in late 2014.

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

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

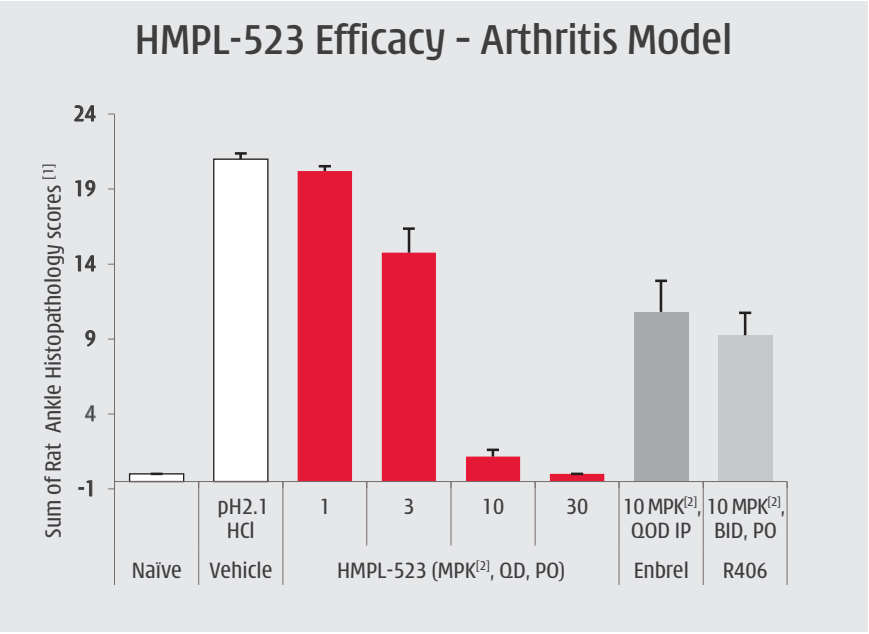
B cells, one of major cellular components of the immune system, play pivotal roles in autoimmune diseases such as RA and lupus. Targeted B-cell receptor therapy Rituximab (sold as Rituxan™ and MabThera™ by Roche), has been approved for the treatment of RA and non-Hodgkin's lymphoma. Syk, a key enzyme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

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

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

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

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

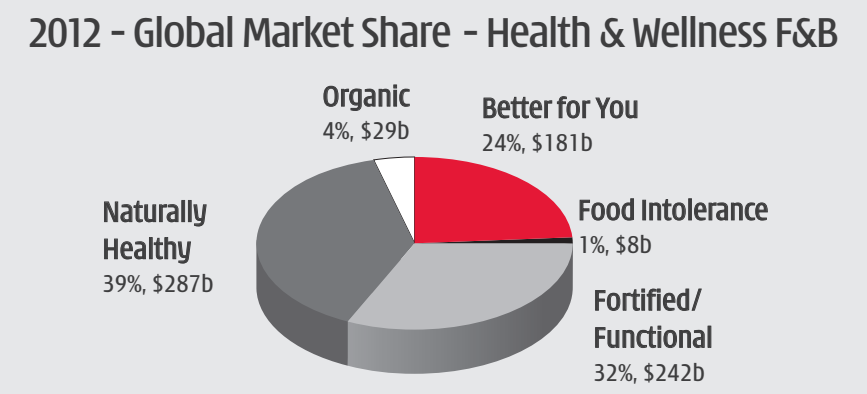


Note: 1 Aggregate of scores for Bone resorption; Structure (cartilage damage); Cartilage cells Inflammatory cell infiltration in periarticular tissue; and Synovial inflammation & hyperplasia; 2 MPK = milligrams per kilogram of body weight; QD = one dose per day; BID = two doses per day; QOD = one dose every other day; PO = by mouth (i.e. orally); IP = by Intraperitoneal injection; Naïve = model score without induced arthritis; Notes: Fostamatinib is a prodrug of the SYK inhibitor R406.

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.



Note: Euromonitor - Global product share, 2012 Market Value (US$ billion).

Overall, the Consumer Products Division's sales on continuing operations grew 23% in 2013 to $12.5 million (2012: $10.2m). This was driven by solid growth in the HHO business. We discontinued the Sen France operation and aspects of the China infant formula businesses and, in-so-doing, took a non-recurring charge of $2.0 million, of which $1.4 million was attributable to Chi-Med equity holders and $0.6 million to Hain Celestial. Net loss attributable to Chi-Med equity holders for the continuing operations of the Consumer Products Division narrowed to $0.5 million (2012: $0.9m).

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

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

Hutchison Hain Organic

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

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

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

Hutchison Hain Organic products on sale in Hong Kong

Hutchison Hain Organic products

Operations Review

Current Trading and Outlook for the Group

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

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

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

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

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

Christian Hogg
Chief Executive Officer

17 February 2014

Biographical Details Of Directors

1 Simon TO
Executive Director and Chairman

Mr To, aged 62, has been a Director since 2000 and an Executive Director and Chairman since 2006. He is also Chairman of the Remuneration Committee and a member of the Technical 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 48, has been an Executive Director and Chief Executive Officer since 2006. He is also a member of the Technical 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.

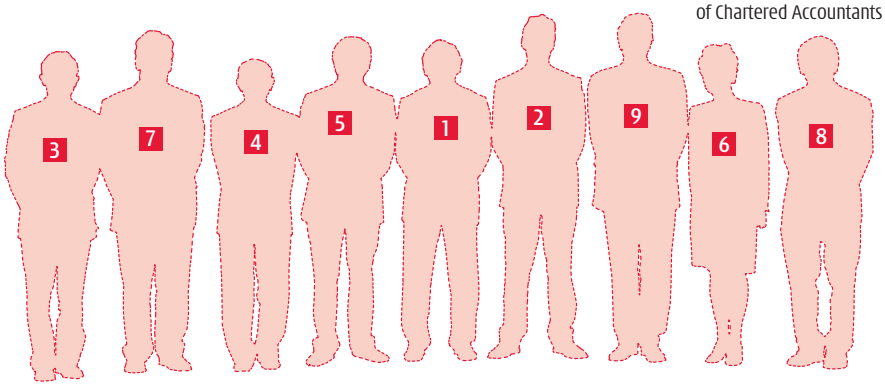
Prior to joining Hutchison China, Mr Hogg spent ten years with P&G starting in the US in Finance and then Brand Management in the Laundry and Cleaning Products Division. Mr Hogg then moved to China to manage P&G's detergent business followed by a move to Brussels to run P&G's global bleach business. 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 47, 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, Hutchison MediPharma Limited and Hutchison MediPharma (Suzhou) Limited. He 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.



Biographical Details Of Directors

4 Shigeru ENDO
Non-executive Director

Mr Endo, aged 79, 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 64, 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. 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 62, has been a Non-executive Director and Company Secretary since 2006 and company secretary of Group companies since 2000. She is also 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. She is President of The Hong Kong Institute of Chartered Secretaries and a member and convenor of a Financial Reporting Review Panel of the Financial Reporting Council.

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 66, has been an Independent Non-executive Director since 2006. He is also Chairman of the Audit Committee and a member of the Remuneration 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 62, 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 300 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), and is currently President of the Cambridge Philosophical Society.

9 Christopher NASH
Independent Non-executive Director

Mr Nash, aged 55, 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, GKN Evo eDrive Systems Ltd, Gasrec Limited and a Director of Current OpenGrid Limited. Mr Nash's career has spanned over thirty years 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 2013.

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 is focused on researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products.

BUSINESS REVIEW

A detailed review of the performance, business activities and future development of the Company and its subsidiaries (the "Group") is set out in the Chairman's Statement and the Operations Review.

RESULTS

The Consolidated Income Statement is set out on page 48 and shows the Group's results for the year ended 31 December 2013.

DIVIDENDS

No interim dividend for the year ended 31 December 2013 was declared and the Directors do not recommend the payment of a final dividend for the year ended 31 December 2013.

RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 52 to 53.

NON-CURRENT ASSETS

Particulars of the movements of non-current assets of the Group are set out in notes 14 to 18 to the accounts.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the accounts.

DIRECTORS

The Directors of the Company as at 31 December 2013 were:

Executive Directors:

Simon To
Christian Hogg
Johnny Cheng

Report Of The Directors

Non-executive Directors:

Shigeru Endo
Christian Salbaing
Edith Shih

Independent Non-executive Directors:

Michael Howell
Christopher Huang
Christopher Nash

Mr Johnny Cheng, Professor Christopher Huang and Mr Christopher Nash 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 31 to 32.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2013, 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	26,506
Edith Shih	20,000
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 or affiliates, 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 2013:

Name or category of participants	Effective date of grant of share options	Number of share options held at 1 January 2013	Granted during 2013	Exercised during 2013	Expired/lapsed/ cancelled during 2013	Number of share options held at 31 December 2013	Exercise period of share options	Exercise price of share options
								£
Directors								
Christian Hogg	19.5.2006 [1]	768,182	-	-	-	768,182	19.5.2006 to 3.6.2015	1.090
Johnny Cheng	25.8.2008 [3]	64,038	-	-	-	64,038	25.8.2008 to 24.8.2018	1.260
Employees in aggregate	19.5.2006 [1]	76,818	-	-	-	76,818	19.5.2006 to 3.6.2015	1.090
	11.9.2006 [2]	26,808	-	-	-	26,808	11.9.2006 to 18.5.2016	1.715
	18.5.2007 [4]	43,857	-	(3,000)	-	40,857	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	-	-	(50,000)	177,600	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
	20.12.2013 [3]	N/A	896,386	-	-	896,386	20.12.2013 to 19.12.2023	6.100
Total:		1,459,931	896,386	(3,000)	(50,000)	2,303,317		

Notes:

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

(2) The share options granted 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 employees or directors of HMHL and any of its holding companies, subsidiaries and affiliates (each an "Eligible Employee"). Each Eligible Employee is eligible to participate in the HMHL Share Option Scheme and options may be granted to him or her 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 2013:

Category of participants	Effective date of grant of share options	Number of share options held at 1 January 2013	Granted during 2013	Exercised during 2013	Expired/lapsed/ cancelled during 2013	Number of share options held at 31 December 2013	Exercise period of share options	Exercise price of share options US$
Employees in aggregate	6.8.2008 [1]	1,243,000	-	-	(1,186,000)	57,000	6.8.2008 to 5.8.2014	1.28
	5.10.2009 [1]	234,000	-	-	(184,000)	50,000	5.10.2009 to 4.10.2015	1.52
	3.5.2010 [1]	360,000	-	-	(60,000)	300,000	3.5.2010 to 2.5.2016	2.12
	2.8.2010 [1]	206,000	-	-	(181,000)	25,000	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]	562,385	-	-	(455,965)	106,420	18.4.2011 to 17.4.2017	2.36
	17.10.2012 [1]	299,120	-	-	(299,120)	-	17.10.2012 to 16.10.2018	2.73
Total:		3,144,505	-	-	(2,606,085) [2]	538,420		

Notes:

(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.

(2) Out of 2,606,085 share options, (i) 2,485,189 were cancelled with the consent of the relevant Eligible Employees in exchange for new share options of the Company vesting over a period of four years and/or cash consideration payable over a period of four years and (ii) 120,896 were cancelled following cessation of employment of the relevant Eligible Employees.

SIGNIFICANT SHAREHOLDINGS

As at 12 February 2014, 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")	15,295,025	29.38%
Depositary Interest held under CCNL:		
Chase Nominees Limited	*2,768,865*	*5.32%*
Slater Investments Limited [3]	3,170,000	6.09%
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 Thursday, 8 May 2014 at 10:00 am at 4th Floor, Hutchison House, 5 Hester Road, Battersea, London SW11 4AN. 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

17 February 2014

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 corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal controls, stringent disclosure practices, 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 AIM, and 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, determines 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 ("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 2013, the Board comprised nine Directors, including the 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 31 to 32 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 reinforces the independence and accountability of these executives.

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 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 seeks to ensure that the Board complies with approved procedures, including the schedule of Reserved Matters to the Board for its decision and the 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 management team of each core business division, 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 deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or 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 four Board meetings in 2013 with 100% attendance of its members.

Position	Name of Directors	Attended/Eligible to attend
Chairman	Simon To	4/4
Executive Directors:	Christian Hogg *(Chief Executive Officer)*	4/4
	Johnny Cheng *(Chief Financial Officer)*	4/4
Non-executive Directors:	Shigeru Endo	4/4
	Christian Salbaing	4/4
	Edith Shih	4/4
Independent Non-executive Directors:	Michael Howell	4/4
	Christopher Huang	4/4
	Christopher Nash	4/4

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 and 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, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and relevant reading materials 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 three permanent board committees: an Audit Committee, a Remuneration Committee and a Technical 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 accountable 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 Board 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 of relevance 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 importance and interest and disseminates relevant reference materials to 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 requirements of the AIM Rules are complied with and, where required, reported 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 47 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 annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy in accordance with the Code, 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, and their training programmes and budget. In addition, the Audit Committee reviews with the internal auditor of the Group's holding company the work plan for its audits for the Group together with its resource requirements and considers the report of the internal auditor of the Group's holding company 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 and the Complaints Procedures adopted by the Board are 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 Nash as members. None of the Committee Members is related to the Company's external auditor.

The Audit Committee held four meetings in 2013 with 100% attendance of its members.

Name of Members	Attended/Eligible to attend
Michael Howell *(Chairman)*	4/4
Christopher Huang	4/4
Christopher Nash	4/4

Corporate Governance Report

The Audit Committee meets with the Chief Financial Officer and other senior management of the Company from time to time for the purposes of reviewing 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 to 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 the reports of PwC on the scope, strategy, progress and outcome of its independent review of the interim financial report and its 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 the internal auditor of the Group's holding company 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 its 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, audit or review 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 internal auditor of the Group's holding company 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 2013, all the fees paid to PwC were for audit and non-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 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 and risk management functions of the Group's holding company, as well as regular business reviews by the 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 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 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 and 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 core 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 function 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 function 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 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 function 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 2013 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 Group Legal Department 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, tax, treasury, 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 or filings to relevant regulatory and/or government authorities and consultations, as the case may be. It also determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are adhered to 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 Directors, business executives and the Group legal team.

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 with 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 are published on the Company's website.

The Remuneration Committee comprises three members, chaired by the Chairman Mr To with Mr Michael Howell and Mr 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 to determine 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. Remuneration matters are also considered and approved by way of written resolutions and additional meetings where warranted.

The Remuneration Committee held one meeting in 2013 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. During the year, the Remuneration Committee also reviewed and approved the proposed 2014 directors' fees, year end bonus and 2014 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 Mr Christian Hogg and Mr 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 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 2013 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	20,128[1][4]	-	-	-	-	20,128
Christian Hogg	337,974[2][4]	602,564	14,423	22,846	-[5]	977,807
Johnny Cheng	262,016[2]	203,846	-	20,266	-[5]	486,128
Non-executive Directors:						
Shigeru Endo	20,128[3]	-	-	-	-	20,128
Christian Salbaing	20,128[1]	-	-	-	-	20,128
Edith Shih	20,128[3][4]	-	-	-	-	20,128
Independent Non-executive Directors:						
Michael Howell	53,138	-	-	-	-	53,138
Christopher Huang	53,138	-	-	-	-	53,138
Christopher Nash	53,138	-	-	-	-	53,138
Aggregate emoluments	**839,916**	**806,410**	**14,423**	**43,112**	**-**	**1,703,861**

Notes:

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

(2) Emoluments paid include Director's fees of US$20,128.

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

(4) 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.

(5) The fair value of share options granted to the Executive Director had been fully recognised as expenses in the past few years and no such expenses were recognised in 2013.

TECHNICAL COMMITTEE

The Technical Committee comprises three members, chaired by Professor Huang with Mr To and Mr 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 are published on the Company's website.

The Technical Committee held one meeting in 2013 with 100% attendance of its members.

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. Employees are required to report any non-compliance with the Code of Ethics to Management.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Group actively promotes investor relations and communication with the investment community throughout the year. Through its Chairman and Chief Executive Officer, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, 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 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 2013 Annual General Meeting which was held on 10 May 2013 at 4th Floor, Hutchison House, 5 Hester Road, Battersea, London attended by PwC and all the Directors including the Chairmen of the Board, the Audit Committee, the Remuneration Committee and the Technical Committee with 100% attendance. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. 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

17 February 2014

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 48 to 111, which comprise the consolidated statement of financial position as at 31 December 2013, 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 2013, 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, 17 February 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000 (Restated)
Continuing operations			
Revenue	5	**45,970**	22,367
Cost of sales		**(22,208)**	(12,754)
Gross profit		**23,762**	9,613
Selling expenses		**(3,452)**	(5,694)
Administrative expenses		**(21,295)**	(21,376)
Other net operating income	6 (a)	**1,603**	1,871
Gain on disposal of a business	6 (b)	**-**	11,476
Share of profits less losses after tax of joint ventures	17	**10,937**	17,147
Operating profit	7	**11,555**	13,037
Finance costs	8	**(1,485)**	(1,160)
Profit before taxation		**10,070**	11,877
Taxation charge	9	**(1,050)**	(1,116)
Profit for the year from continuing operations		**9,020**	10,761
Discontinued operations			
Loss for the year from discontinued operations	10	**(1,978)**	(7,221)
Profit for the year		**7,042**	3,540
Attributable to:			
Equity holders of the Company			
- Continuing operations		**7,323**	9,472
- Discontinued operations		**(1,408)**	(5,834)
		5,915	3,638
Non-controlling interests	23	**1,127**	(98)
		7,042	3,540
Earnings per share for profit from continuing operations attributable to equity holders of the Company for the year (US$ per share)			
– basic	11(a)	**0.1407**	0.1824
– diluted	11(b)	**0.1385**	0.1799
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company for the year (US$ per share)			
– basic	11(a)	**0.1136**	0.0701
– diluted	11(b)	**0.1119**	0.0691

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2013

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

Consolidated Statement Of Financial Position

As at 31 December 2013

	Note	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)	1 January 2012 US$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	**5,028**	3,344	4,550
Leasehold land	15	**1,508**	1,498	1,523
Goodwill	16	**407**	407	407
Other intangible assets		**-**	-	14,166
Investment in joint ventures	17	**111,405**	109,552	66,690
Deferred tax assets	18	**285**	280	390
		118,633	115,081	87,726
Current assets				
Inventories	19	**1,420**	1,590	4,327
Trade receivables	20	**13,410**	9,508	12,168
Other receivables and prepayments		**3,356**	1,583	2,221
Amount due from related parties	30	**1,985**	1,194	5,676
Cash and cash equivalents	21	**46,863**	30,767	42,525
		67,034	44,642	66,917
Total assets		**185,667**	159,723	154,643
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	22	**52,051**	52,048	51,743
Reserves		**36,819**	18,530	13,042
		88,870	70,578	64,785
Non-controlling interests	23	**15,966**	11,620	11,324
Total equity		**104,836**	82,198	76,109

	Note	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)	1 January 2012 US$'000 (Restated)
LIABILITIES				
Current liabilities				
Trade payables	24	**4,163**	3,183	4,941
Other payables, accruals & advance receipts	25	**15,389**	15,229	11,912
Amounts due to related parties	30	**7,374**	6,303	5,345
Bank borrowings	26	**51,508**	10,892	29,731
Current tax liabilities		**-**	-	158
		78,434	35,607	52,087
Non-current liabilities				
Deferred income		**-**	-	4,551
Deferred tax liabilities	18	**2,397**	2,528	1,758
Convertible preference shares	27	**-**	12,467	20,138
Bank borrowing	26	**-**	26,923	-
		2,397	41,918	26,447
Total liabilities		**80,831**	77,525	78,534
Net current (liabilities)/assets		**(11,400)**	9,035	14,830
Total assets less current liabilities		**107,233**	124,116	102,556
Total equity and liabilities		**185,667**	159,723	154,643

Simon To
Director

Christian Hogg
Director

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2013

	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	General reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2012, as previously reported	51,743	92,955	4,748	8,650	496	(93,807)	64,785	12,545	77,330
Prior year adjustments in respect of changes in accounting policy (note 2)	-	-	-	-	-	-	-	(1,221)	(1,221)
As at 1 January 2012, as restated	51,743	92,955	4,748	8,650	496	(93,807)	64,785	11,324	76,109
Profit/(loss) for the year	-	-	-	-	-	3,638	3,638	(98)	3,540
Other comprehensive income/(loss) that has been or may be reclassified subsequently to profit or loss, as restated:									
Exchange translation differences arising from:									
– subsidiaries	-	-	-	224	-	-	224	-	224
– joint ventures	-	-	-	506	-	-	506	(68)	438
	-	-	-	730	-	-	730	(68)	662
Total comprehensive income/(loss) for the year (net of tax), as restated	-	-	-	730	-	3,638	4,368	(166)	4,202
Issue of shares (Note 22(a))	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 30(b))	-	-	-	-	-	-	-	1,000	1,000
Dividend paid to a non-controlling shareholder of a subsidiary (Note 30(a))	-	-	-	-	-	-	-	(538)	(538)
As at 31 December 2012, as restated	52,048	93,669	4,974	9,380	496	(89,989)	70,578	11,620	82,198

	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	General reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2013, as previously reported	52,048	93,669	4,974	9,380	496	(89,989)	70,578	13,070	83,648
Prior year adjustments in respect of changes in accounting policy (Note 2)	-	-	-	-	-	-	-	(1,450)	(1,450)
As at 1 January 2013, as restated	52,048	93,669	4,974	9,380	496	(89,989)	70,578	11,620	82,198
Profit for the year	-	-	-	-	-	5,915	5,915	1,127	7,042
Other comprehensive income that has been or may be reclassified subsequently to profit or loss:									
Exchange translation differences arising from:									
– subsidiaries	-	-	-	662	-	-	662	62	724
– joint ventures	-	-	-	2,280	-	-	2,280	338	2,618
	-	-	-	2,942	-	-	2,942	400	3,342
Total comprehensive income for the year (net of tax)	-	-	-	2,942	-	5,915	8,857	1,527	10,384
Issue of shares (Note 22(a))	3	6	(2)	-	-	-	7	-	7
Share-based compensation expenses	-	-	332	-	-	-	332	25	357
Transfer between reserves	-	-	(168)	-	-	168	-	-	-
Dilution of interest in a subsidiary (Note 27)	-	-	(120)	(243)	-	9,459	9,096	3,371	12,467
Dividend paid to a non-controlling shareholder of a subsidiary (Note 30(a))	-	-	-	-	-	-	-	(577)	(577)
As at 31 December 2013	52,051	93,675	5,016	12,079	496	(74,447)	88,870	15,966	104,836

Consolidated Statement Of Cash Flows

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000 (Restated)
Cash flows from operating activities			
Net cash used in operations	28	**(4,065)**	(18,123)
Interest received		**451**	388
Finance costs paid		**(1,485)**	(1,160)
Income tax paid		**(1,181)**	(393)
Dividend received from joint ventures		**11,308**	7,837
Net cash generated from/(used in) operating activities		**5,028**	(11,451)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,500)**	(430)
Payments for development costs		**-**	(4,169)
Proceeds from disposal of property, plant and equipment		**-**	11
Net cash used in investing activities		**(2,500)**	(4,588)
Cash flows from financing activities			
Decrease in amount due from a non-controlling shareholder of a subsidiary		**-**	1,516
Dividend paid to a non-controlling shareholder of a subsidiary		**(577)**	(538)
Loan from a non-controlling shareholder of a subsidiary		**-**	1,000
New long-term bank loans		**-**	26,923
New short-term bank loans		**14,261**	-
Repayment of short-term bank loans		**(568)**	(18,839)
Net proceeds from issuance of ordinary shares		**7**	629
Buy back of convertible preference shares	27	**-**	(6,519)
Net cash generated from financing activities		**13,123**	4,172
Net increase/(decrease) in cash and cash equivalents		**15,651**	(11,867)
Cash and cash equivalents at 1 January		**30,767**	42,525
Exchange differences		**445**	109
Cash and cash equivalents at 31 December		**46,863**	30,767
Analysis of cash and cash equivalents			
- Cash and bank balances	21	**46,863**	30,767

Notes To The Accounts

1 GENERAL INFORMATION

Hutchison China MediTech Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products. The Group and its joint ventures have manufacturing plants in Shanghai and Guangzhou in the People's Republic of China (the "PRC") and sell mainly in the PRC and Hong Kong. During the year, the Group had discontinued parts of its consumer products operation in the PRC and France 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 AIM regulated by the London Stock Exchange. 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 17 February 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Changes in accounting policies and disclosures

During the year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the International Accounting Standards Board that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2013. The adoption of these new and revised standards, amendments and interpretations did not have any material effects on the Group's results of operations or financial position, except for IAS 1 (Amendments), IFRS 11 and IFRS 12 as described below.

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

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

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies and disclosures (Continued)

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 joint ventures ("JVs"), Group management has assessed the existing arrangement and determined the Group's JVs as joint venture arrangements.

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

In the consolidated accounts for the year ended 31 December 2013, the Group adopted the equity method to account for its investments in JVs in accordance with IFRS 11. Under the equity method, interests in JVs are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the JVs. The change in accounting policy has been applied for the earliest comparative period presented and the effect of the change in accounting policy mentioned above on the results of the Group for the years ended 31 December 2013 and 2012 and the financial position of the Group as at 31 December 2013, 31 December 2012 and 1 January 2012 are summarised in the following pages.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	For the year ended 31 December 2012 US$'000 (Note)	Change in accounting policy US$'000	For the year ended 31 December 2012 US$'000 (Restated)
Statement of comprehensive income			
Revenue	195,531	(173,164)	22,367
Cost of sales	(98,135)	85,381	(12,754)
Gross profit	97,396	(87,783)	9,613
Selling expenses	(60,595)	54,901	(5,694)
Administrative expenses	(34,747)	13,371	(21,376)
Other net operating income	2,602	(731)	1,871
Gain on disposal of a business	11,476	-	11,476
Share of profits less losses after tax of joint ventures	-	17,147	17,147
Operating profit	16,132	(3,095)	13,037
Finance costs	(1,209)	49	(1,160)
Profit before taxation	14,923	(3,046)	11,877
Taxation charge	(4,162)	3,046	(1,116)
Profit for the year from continuing operations	10,761	-	10,761
Discontinued operations			
Loss for the year from discontinued operations	(7,221)	-	(7,221)
Profit for the year	3,540	-	3,540
Other comprehensive income			
Exchange translation differences	662	-	662
Total comprehensive income	4,202	-	4,202

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

Note: The above consolidated income statement for the year ended 31 December 2012 have been restated for the results of Group's discontinued operations as explained in note 10.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of change in accounting policy on the consolidated statement of financial position

	As at 31 December 2012 US$'000 (Previously reported)	Change in accounting policy US$'000	As at 31 December 2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Previously reported)	Change in accounting policy US$'000	As at 1 January 2012 US$'000 (Restated)
ASSETS						
Non-current assets						
Property, plant and equipment	22,848	(19,504)	3,344	23,277	(18,727)	4,550
Leasehold land	10,440	(8,942)	1,498	6,175	(4,652)	1,523
Goodwill	8,311	(7,904)	407	8,248	(7,841)	407
Other intangible assets	15,585	(15,585)	–	14,858	(692)	14,166
Investment in an associated company	32	(32)	–	31	(31)	–
Investment in joint ventures	–	109,552	109,552	–	66,690	66,690
Deferred tax assets	1,639	(1,359)	280	1,550	(1,160)	390
	58,855	56,226	115,081	54,139	33,587	87,726
Current assets						
Inventories	25,318	(23,728)	1,590	28,720	(24,393)	4,327
Trade receivables	44,343	(34,835)	9,508	51,573	(39,405)	12,168
Other receivables and prepayments	3,940	(2,357)	1,583	5,063	(2,842)	2,221
Amount due from related parties	15,000	(13,806)	1,194	1,516	4,160	5,676
Cash and cash equivalents	62,009	(31,242)	30,767	53,763	(11,238)	42,525
	150,610	(105,968)	44,642	140,635	(73,718)	66,917
Total assets	209,465	(49,742)	159,723	194,774	(40,131)	154,643

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of change in accounting policy on the consolidated statement of financial position (Continued)

	As at 31 December 2012 US$'000 (Previously reported)	Change in accounting policy US$'000	As at 31 December 2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Previously reported)	Change in accounting policy US$'000	As at 1 January 2012 US$'000 (Restated)
EQUITY						
Capital and reserves attributable to the Company's equity holders						
Share capital	52,048	-	52,048	51,743	-	51,743
Reserves	18,530	-	18,530	13,042	-	13,042
	70,578	-	70,578	64,785	-	64,785
Non-controlling interests	13,070	(1,450)	11,620	12,545	(1,221)	11,324
Total equity	83,648	(1,450)	82,198	77,330	(1,221)	76,109
LIABILITIES						
Current liabilities						
Trade payables	18,897	(15,714)	3,183	16,451	(11,510)	4,941
Other payables, accruals and advance receipts	43,715	(28,486)	15,229	35,568	(23,656)	11,912
Amounts due to related parties	6,303	-	6,303	5,345	-	5,345
Bank borrowings	11,202	(310)	10,892	30,038	(307)	29,731
Current tax liabilities	951	(951)	-	1,074	(916)	158
	81,068	(45,461)	35,607	88,476	(36,389)	52,087
Non-current liabilities						
Deferred income	2,692	(2,692)	-	6,919	(2,368)	4,551
Deferred tax liabilities	2,667	(139)	2,528	1,911	(153)	1,758
Convertible preference shares	12,467	-	12,467	20,138	-	20,138
Bank borrowing	26,923	-	26,923	-	-	-
	44,749	(2,831)	41,918	28,968	(2,521)	26,447
Total liabilities	125,817	(48,292)	77,525	117,444	(38,910)	78,534
Net current assets	69,542	(60,507)	9,035	52,159	(37,329)	14,830
Total asset less current liabilities	128,397	(4,281)	124,116	106,298	(3,742)	102,556
Total equity and liabilities	209,465	(49,742)	159,723	194,774	(40,131)	154,643

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) IFRS 12 "Disclosure of Interests in Other Entities" brings together into a single standard that all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosure requirements in IFRS 12 are generally more extensive than those previously required by the respective standards. The Group's additional disclosures of interests in joint ventures and subsidiaries with material non-controlling interests have been made in Note 17 and Note 23 to the consolidated financial statements accordingly.

(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 joint ventures on the basis set out in Notes 2(d) below.

The accounting policies of subsidiaries and joint ventures 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 joint ventures.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 joint ventures on the basis set out in Notes 2(d) below.

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 at the date when the control is lost, 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 in other comprehensive income are reclassified to income statement.

(c) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Joint arrangements

Investment in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investors. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value and recognises the amount adjacent to 'share of profits less losses after tax of joint ventures' in the income statement.

The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

(e) 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 and joint ventures 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 denominated in foreign currencies 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 joint ventures 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 joint ventures 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.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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(l)).

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.

(g) Construction in progress

Construction in progress represents plant and machinery pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes 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(f).

(h) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 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, the difference is recognised directly in the consolidated income statement.

The profit or loss on disposal of a subsidiary or joint venture 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.

(j) 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.

(k) 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.

(l) Impairment of assets

Assets that have an indefinite useful life such as goodwill or intangible assets not ready to use are not subject to amortisation and 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.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) 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.

(o) Cash and cash equivalents

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

(p) 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.

(q) 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.

(r) 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. The convertible preference shares are classified as equity when the condition set out in the relevant agreements are satisfied and be settled by a fixed number of preference shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) 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.

(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.

(u) 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.

(v) 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.

(w) 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.

Notes To The Accounts

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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.

(y) 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.

(z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation.

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 19 (Amendments) [2]	Defined Benefit Plans: Employee Contributions
IAS 32 (Amendments) [1]	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments) [1]	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendments) [1]	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, IFRS12 and IAS 27 (Amendments) [1]	Investment Entities
IFRS 9 [4]	Financial Instruments
IFRS 14 [3]	Regulatory Deferral Accounts
IFRIC-21 [1]	Levies
Annual improvements 2010-2012 cycle [2]	Improvements to IFRS
Annual improvements 2011-2013 cycle [2]	Improvements to IFRS

(1) Effective for the Group for annual periods beginning on or after 1 January 2014.
(2) Effective for the Group for annual periods beginning on or after 1 January 2015.
(3) Effective for the Group for annual periods beginning on or after 1 January 2016.
(4) Effective for the Group for annual periods beginning on or after 1 January 2015. The effective date was subsequently removed and the revised effective date is to be determined.

The adoption of standards, amendments and interpretations listed above in future periods is not expected to have any material effect on the Group's result of operations and financial position.

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.

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.

Notes To The Accounts

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

The carrying amounts of cash at bank, short-term bank deposits, trade receivables, other receivables and amount due from related parties 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 receivables, other receivables and amount due from related parties. 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.

(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 21.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$509,000 and US$316,000 for the years ended 31 December 2013 and 2012 respectively.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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 used 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 2012 and 2013, the Group's current financial liabilities were due for settlement contractually within twelve months. The Group's non-current financial liabilities were disclosed in Notes 26 and 27. 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$535,000 (2012 as restated: US$448,000).

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

(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.

Currently, it is the Group's strategy to maintain a reasonable gearing ratio. The gearing ratios as at 31 December 2013 and 2012 were as follows:

	2013 **US$'000**	2012 US$'000 (Restated)
Total bank borrowings (Note 26)	**51,508**	37,815
Total equity attributable to the Company's equity holders	**88,870**	70,578
Gearing ratio	**58.0%**	53.6%

The increase in the gearing ratio was primarily resulted from the drawdown of new short-term bank loans during 2013.

Notes To The Accounts

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

The Group does not have any financial assets or liabilities which are carried at fair value. The carrying amounts of the Group's current financial assets, including cash and bank balances, trade receivables, other receivables, amount due from related parties, 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 values.

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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment of assets

The Group tests annually whether goodwill (note 16) and intangible assets not ready to use as included under the Group's JVs, 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(l). 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.

(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.

(g) Disposal of business

In 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 recognised 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.

Notes To The Accounts

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products. Revenues recognised for the year are as follows:

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

Note:

Income from research and development projects include upfront income and milestone income of US$22.2 million (2012: US$4.6 million) from three global licensing, co-development and commercialisation agreements (Note 25) and income from the provision of research and development services of US$7.3 million (2012: US$2.3 million).

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

- China healthcare: comprises the development, manufacture, distribution and sale of over-the-counter products, prescription products and health supplements products.
- Drug research and development ("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.

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 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)").

The group had discontinued parts of its consumer products operations in the PRC and France for the year ended 31 December 2013 and consumer products operations in the United Kingdom (the "UK") for the year ended 31 December 2012. Details of the discontinued operations are included in note 10.

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

Continuing operations

	As at and for the year ended 31 December 2013						
	China healthcare	Drug R&D	Consumer products		Reportable segment		
	PRC	PRC	PRC	Hong Kong	Total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	3,985	29,500	923	11,562	45,970	-	45,970
EBIT/(LBIT)	806	6,495	(80)	(486)	6,735	(6,568)	167
Interest income	9	31	12	2	54	397	451
Share of profits less losses after tax of joint ventures	19,702	(8,765)	-	-	10,937	-	10,937
Operating profit/(loss)	20,517	(2,239)	(68)	(484)	17,726	(6,171)	11,555
Finance costs	186	-	-	-	186	1,299	1,485
Additions to non-current assets (other than financial instrument and deferred tax assets)	5	2,461	-	2	2,468	32	2,500
Depreciation/amortisation	16	889	3	15	923	40	963
Total assets	97,271	50,272	1,768	8,312	157,623	27,113	184,736

Notes To The Accounts

5 REVENUE AND SEGMENT INFORMATION (Continued)

Discontinued operations

	As at and for the year ended 31 December 2013								
	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	-	(41)	-	(40)	-	(40)
LBIT	-	-	(1,141)	-	(837)	-	(1,978)	-	(1,978)
Operating loss	-	-	(1,141)	-	(837)	-	(1,978)	-	(1,978)
Additions to non-current assets (other than financial instrument and deferred tax assets)	-	-	-	-	-	-	-	-	-
Depreciation/amortisation	-	-	-	-	-	-	-	-	-
Total assets	-	-	-	283	648	-	931	-	931

5 REVENUE AND SEGMENT INFORMATION (Continued)

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 (Restated)							
	China healthcare	R&D Drug	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	5,277	6,915	787	–	9,388	22,367	–	22,367
EBIT/(LBIT)	432	2,624	(400)	–	(901)	1,755	(6,253)	(4,498)
Interest income	8	153	3	–	1	165	223	388
Share of profits less losses after tax of joint ventures	17,132	15	–	–	–	17,147	–	17,147
Operating profit/(loss)	17,572	2,792	(397)	–	(900)	19,067	(6,030)	13,037
Finance costs	171	–	–	–	–	171	989	1,160
Additions to non-current assets (other than financial instrument and deferred tax assets)	–	4,518	4	–	6	4,528	114	4,642
Depreciation/amortisation	30	1,392	1	–	18	1,441	25	1,466
Total assets	87,933	45,608	2,137	–	7,631	143,309	14,483	157,792

Notes To The Accounts

5 REVENUE AND SEGMENT INFORMATION (Continued)

Discontinued operations

	As at and for the year ended 31 December 2012 (Restated)								
	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	-	-	(783)	344	643	-	204	-	204
LBIT	-	-	(3,273)	(3,201)	(747)	-	(7,221)	-	(7,221)
Operating loss	-	-	(3,273)	(3,201)	(747)	-	(7,221)	-	(7,221)
Additions to non-current assets (other than financial instrument and deferred tax assets)	-	-	-	-	1	-	1	-	1
Depreciation/amortisation	-	-	-	35	1	-	36	-	36
Total assets	-	-	-	363	1,568	-	1,931	-	1,931

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$Nil (2012: US$414,000) and from Hong Kong to the PRC is US$628,000 (2012: US$485,000).

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:

	2013	2012
	US$'000	US$'000
		(Restated)
EBIT for reportable segments	**6,735**	1,755
Unallocated expenses	**(6,568)**	(6,253)
Interest income	**451**	388
Share of profits less losses after tax of joint ventures	**10,937**	17,147
Finance costs	**(1,485)**	(1,160)
Profit before taxation	**10,070**	11,877

As at 31 December 2013, the total non-current assets, other than investment in joint ventures and deferred tax assets, located in the PRC, France and Hong Kong were US$6,823,000 (2012 restated: US$5,104,000), US$Nil (2012: US$1,000) and US$120,000 (2012: US$144,000) respectively.

6 (a) OTHER NET OPERATING INCOME

	2013 US$'000	2012 US$'000 (Restated)
Continuing operations:		
Interest income	**451**	388
Net foreign exchange gains	**1,217**	308
Other operating income	**4**	35
Other operating expenses	**(69)**	(12)
Profit on buy back of convertible preference shares (Note 27)	**-**	1,152
	1,603	1,871

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 specialised in the development of science-based personalised nutritional solutions, entered into a joint venture 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 (the drug candidate with cumulative capitalised costs amounted to US$18,524,000) into the JV, and management considered the Group had effectively lost control over the Business since 27 November 2012 notwithstanding the legal formation of the JV was subject to regulatory approvals as at 31 December 2012 (all the regulatory approvals regarding the formation of JV have been subsequently satisfied in 2013). 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 for the year ended 31 December 2012.

7 OPERATING PROFIT

Operating profit is stated after charging the following:

	2013 US$'000	2012 US$'000 (Restated)
Continuing operations:		
Auditor's remuneration	**408**	376
Amortisation of leasehold land	**38**	36
Cost of inventories recognised as expense	**16,823**	9,072
Depreciation of property, plant and equipment	**925**	1,430
Write-off of inventories (note)	**41**	22
Provision for inventories (note)	**88**	-
Provision for receivables	**42**	-
Loss on disposal of property, plant and equipment	**17**	78
Operating lease rentals in respect of land and buildings	**672**	556
Research and development expense	**4,475**	5,894
Employee benefit expenses (Note 13)	**16,517**	14,675

Note: Provision for inventories and write-off of inventories amounted to US$88,000 (2012 restated: US$ Nil) and US$41,000 (2012 restated: US$22,000) respectively mainly related to obsolete or damaged inventories.

Notes To The Accounts

8 FINANCE COSTS

	2013 US$'000	2012 US$'000 (Restated)
Continuing operations:		
Interest expense on bank loans	**922**	689
Guarantee fee on bank loan (Note 30)	**471**	471
Interest expense on amount due to immediate holding company (Note 30)	**92**	-
	1,485	1,160

9 TAXATION CHARGE

	2013 US$'000	2012 US$'000 (Restated)
Continuing operations:		
Current tax		
- PRC	**1,186**	236
Deferred income tax (Note 18)	**(136)**	880
Taxation charge	**1,050**	1,116

(a) The Group has no estimated assessable profit in Hong Kong for the year (2012: Nil).

(b) Hutchison MediPharma Limited, a subsidiary of the Group, has been granted Technology Advancement Service Entity status and is subject to a preferential income tax rate of 15% up to 2014 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 is subject to a tax rate of 25%.

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:

	2013 US$'000	2012 US$'000 (Restated)
Continuing operations:		
Profit before taxation	**10,070**	11,877
Tax calculated at the domestic tax rates of respective companies	**5,115**	1,750
Effect of JVs' result reported net of tax	**(4,453)**	(5,044)
Tax losses for which no deferred tax asset was recognised	**817**	3,774
Utilisation of previously unrecognised tax losses	**(1,677)**	–
Withholding tax on unremitted earnings	**1,029**	1,005
Others	**219**	(369)
Taxation charge	**1,050**	1,116

The weighted average tax rate calculated at the domestic tax rates of respective companies for the year was 50.8% (2012 restated: 14.7%). 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.

The effective tax rate for the year was 10.4% (2012 restated: 9.4%).

Notes To The Accounts

10 RESULTS AND CASH FLOWS OF DISCONTINUED OPERATIONS

In June 2012, the Group discontinued its consumer products operation in the UK, which represented a geographical area of the Group's business. In June 2013, the Group discontinued its consumer products operation in France which represented a geographical area of the Group's business, and a major business line in the PRC consumer products operation, as their performances were below expectation in light of increased competitive activities in the UK, France and the PRC consumer product market.

The results and cash flows of the discontinued operations are set out below. The 2012 comparative figures in the consolidated income statement have also been reclassified to conform to the current year presentation.

	2013 US$'000	2012 US$'000 (Restated)
Revenue and income (Note 1)	(31)	896
Expenses (Note 2)	(1,947)	(8,117)
Loss before taxation from discontinued operations	(1,978)	(7,221)
Taxation charge	-	-
Loss for the year from discontinued operations	(1,978)	(7,221)
Cash flow from discontinued operations		
Net cash used in operating activities	(1,239)	(893)
Net cash generated from investing activities	-	4
Net cash generated from financing activities	-	1,026
Net (decrease)/increase in cash and cash equivalents	(1,239)	137
Note 1		
Revenue and income include:		
Sales of goods	(40)	38
Service income	-	166
Other income	9	692
	(31)	896
Note 2		
Expenses include:		
Cost of inventories recognised as expense	7	1,349
Depreciation of property, plant and equipment	-	36
Employee benefit expenses	239	1,728
Loss on disposal of property, plant and equipment	1	106
Operating lease rentals in respect of land and building	198	712
Write-off of inventories	96	1,446
Provision for inventories	-	927
Provision for receivables	-	72
Selling expenses	840	1,202

11 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

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

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

(b) Diluted earnings/(losses) per share

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

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

Notes To The Accounts

11 EARNINGS/(LOSSES) PER SHARE (Continued)

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

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

12 DIRECTORS' EMOLUMENTS

	2013 US$'000	2012 US$'000
Fees	**280**	276
Basic salaries, housing allowances, other allowances and benefits in kind	**1,381**	1,301
Contributions to pension schemes	**43**	41
Share-based compensation expenses	**-**	10
	1,704	1,628

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 US$'000	2012 US$'000 (Restated)
Wages, salaries and bonuses	**12,953**	10,818
Pension costs - defined contribution plans	**1,793**	1,547
Staff welfare	**1,414**	1,558
Share-based compensation expenses	**357**	752
	16,517	14,675

Approximately US$5,256,000 (2012: US$ 2,418,000) is included in cost of sales.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings situated in the PRC US$'000	Leasehold improve-ments US$'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 2013, as previously reported	22,955	4,218	13,061	14,415	860	55,509
Prior year adjustments in respect of change in accounting policy	(20,483)	(1,751)	(12,983)	(5,356)	(860)	(41,433)
As at 1 January 2013, as restated	2,472	2,467	78	9,059	-	14,076
Exchange differences	79	79	3	299	18	478
Additions	-	55	4	1,211	1,230	2,500
Disposals	-	(18)	-	(148)	-	(166)
As at 31 December 2013	2,551	2,583	85	10,421	1,248	16,888
Accumulated depreciation and impairment						
As at 1 January 2013, as previously reported	9,916	3,778	8,141	10,826	-	32,661
Prior year adjustments in respect of change in accounting policy	(9,291)	(1,476)	(8,081)	(3,081)	-	(21,929)
As at 1 January 2013, as restated	625	2,302	60	7,745	-	10,732
Exchange differences	21	73	2	255	-	351
Charge for the year	115	19	13	778	-	925
Disposals	-	(17)	-	(131)	-	(148)
As at 31 December 2013	761	2,377	75	8,647	-	11,860
Net book value						
As at 31 December 2013	1,790	206	10	1,774	1,248	5,028

Notes To The Accounts

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings situated in the PRC 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, as previously reported	21,479	5,293	12,014	14,229	1,967	54,982
Prior year adjustments in respect of change in accounting policy	(19,027)	(1,313)	(11,931)	(4,399)	(1,936)	(38,606)
As at 1 January 2012, as restated	2,452	3,980	83	9,830	31	16,376
Exchange differences	20	34	1	81	-	136
Additions	-	50	-	377	3	430
Disposals	-	(1,597)	(6)	(1,229)	(34)	(2,866)
As at 31 December 2012	2,472	2,467	78	9,059	-	14,076
Accumulated depreciation and impairment						
As at 1 January 2012, as previously reported	8,774	5,032	7,619	10,280	-	31,705
Prior year adjustments in respect of change in accounting policy	(8,266)	(1,343)	(7,583)	(2,687)	-	(19,879)
As at 1 January 2012, as restated	508	3,689	36	7,593	-	11,826
Exchange differences	5	33	1	72	-	111
Charge for the year	112	121	23	1,210	-	1,466
Disposals	-	(1,541)	-	(1,130)	-	(2,671)
As at 31 December 2012	625	2,302	60	7,745	-	10,732
Net book value						
As at 31 December 2012	1,847	165	18	1,314	-	3,344

15 LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and are located in the PRC.

	2013 US$'000	2012 US$'000 (Restated)
Cost		
As at 1 January	**1,706**	1,692
Exchange differences	**55**	14
As at 31 December	**1,761**	1,706
Accumulated amortisation		
As at 1 January	**208**	169
Exchange differences	**7**	3
Amortisation charge	**38**	36
As at 31 December	**253**	208
Net book value		
As at 31 December	**1,508**	1,498

16 GOODWILL

	2013 US$'000	2012 US$'000 (Restated)
Cost		
As at 1 January and 31 December	**407**	407

Goodwill is allocated to HHL, a subsidiary of the Group.

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% (2012: 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 5%. 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.

Notes To The Accounts

17 INVESTMENT IN JOINT VENTURES

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)
Unlisted shares	**61,883**	50,479
Share of undistributed post acquisition reserves	**49,522**	59,073
	111,405	109,552

Particulars regarding the principal joint ventures are set below:

Name	Principal place of business	Equity interest attributable to the Group	Nature of relationship	Measurement method
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS")	The PRC	40% (note(i))	Manufacture and distribution of Traditional Chinese Medicine ("TCM") products	Equity
Shanghai Hutchison Pharmaceuticals Limited ("SHPL")	The PRC	50%	Manufacture and distribution of TCM products	Equity
Nutrition Science Partners Limited ("NSP")	Hong Kong	43.88% (note(ii))	Provide research and development of pharmaceutical products	Equity

All of the above joint ventures are private companies and there is no quoted market price available for its shares.

Notes:

(i) There is 20% non-controlling interest in the intermediate holding company which holds 50% equity interest in HBYS.

(ii) There is 12.24% non-controlling interest in the intermediate holding company which holds 50% equity interest in NSP.

17 INVESTMENT IN JOINT VENTURES (Continued)

Summarised financial information for joint ventures

Set out below are the summarised financial information for the joint ventures which are included under the China Healthcare operating segment ("China Healthcare JVs") and Drug R&D operating segment ("Drug R&D JV") and accounted for using the equity method.

(i) Summarised statements of financial position

	China Healthcare JVs				R&D JV	
	HBYS		SHPL		NSP	
	As at 31 December		As at 31 December		As at 31 December	
	2013	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Cash and cash equivalents	**51,587**	38,121	**30,331**	24,196	**17,031**	-
Other current assets (excluding cash and cash equivalents)	**94,110**	85,740	**44,828**	35,925	**30**	30,000
Total current assets	**145,697**	123,861	**75,159**	60,121	**17,061**	30,000
Non-current assets	**59,446**	39,848	**35,646**	30,203	**30,000**	30,000
Current financial liabilities (excluding trade and other payables)	**-**	(620)	**(820)**	-	**-**	-
Other current liabilities (including trade and other payables)	**(91,760)**	(63,472)	**(38,484)**	(29,113)	**(4,604)**	-
Total current liabilities	**(91,760)**	(64,092)	**(39,304)**	(29,113)	**(4,604)**	-
Non-current liabilities	**(3,180)**	(3,809)	**(5,025)**	(1,853)	**-**	-
Net assets	**110,203**	95,808	**66,476**	59,358	**42,457**	60,000

Notes To The Accounts

17 INVESTMENT IN JOINT VENTURES (Continued)

(ii) Summarised statements of comprehensive income

	China Healthcare JVs				R&D JV	
	HBYS		SHPL		NSP	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2013	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Revenue	**252,465**	228,728	**138,160**	116,544	**-**	-
Depreciation and amortisation	**(3,598)**	(2,671)	**(2,612)**	(2,411)	**-**	-
Interest income	**1,103**	227	**197**	151	**-**	-
Finance cost	**(44)**	(41)	**-**	(58)	**-**	-
Profit/(loss) before taxation	**20,386**	19,420	**26,620**	20,931	**(17,543)**	-
Taxation charge	**(3,408)**	(2,823)	**(4,196)**	(3,267)	**-**	-
Post-tax profit/(loss)	**16,978**	16,597	**22,424**	17,664	**(17,543)**	-
Other comprehensive income	**3,879**	898	**848**	434	**-**	-
Total comprehensive income	**20,857**	17,495	**23,272**	18,098	**(17,543)**	-
Dividends declared	**6,462**	6,256	**16,154**	3,110	**-**	-

Note:

The post-tax profit and total comprehensive income for the year ended 31 December 2013 for other individual immaterial joint venture is approximately US$15,000 (2012: US$32,000) and US$24,000 (2012: US$35,000) respectively.

17 INVESTMENT IN JOINT VENTURES (Continued)

(iii) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of investment in the joint ventures

	China Healthcare JVs				R&D JVs	
	HBYS		SHPL		NSP	
	As at 31 December		As at 31 December		As at 31 December	
	2013	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Opening net assets at 1 January	**95,808**	84,569	**59,358**	44,370	**60,000**	-
Additions	**-**	-	**-**	-	**-**	60,000
Profit/(loss) for the year	**16,978**	16,597	**22,424**	17,664	**(17,543)**	-
Dividend declared	**(6,462)**	(6,256)	**(16,154)**	(3,110)	**-**	-
Other comprehensive income	**3,879**	898	**848**	434	**-**	-
Closing net assets at 31 December	**110,203**	95,808	**66,476**	59,358	**42,457**	60,000
Interest in joint ventures @50%	**55,102**	47,904	**33,238**	29,679	**21,229**	30,000
Goodwill	**-**	-	**3,282**	3,180	**-**	-
Non-controlling interests	**(1,700)**	(1,450)	**-**	-	**-**	-
Carrying value	**53,402**	46,454	**36,520**	32,859	**21,229**	30,000

Note:

The carrying value for other individual immaterial joint venture as at 31 December 2013 is approximately US$254,000 (2012:US$239,000).

The joint ventures had the following operating lease commitments and capital commitments at 31 December 2013.

	31 December 2013	31 December 2012
	US$'000	US$'000
Operating lease commitments	**1,329**	750
Capital commitments	**8,379**	278

Notes To The Accounts

18 DEFERRED INCOME TAX

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)
Deferred tax assets	**285**	280
Deferred tax liabilities	**(2,397)**	(2,528)
Net deferred tax liabilities	**(2,112)**	(2,248)

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

	2013 US$'000	2012 US$'000 (Restated)
At 1 January	**(2,248)**	(1,368)
Credited/(charged) to the consolidated income statement		
- withholding tax on unremitted earnings	**136**	(769)
- expiry of deferred tax asset	**-**	(111)
At 31 December	**(2,112)**	(2,248)

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 depreciation allowances and tax losses, and deferred tax liabilities are mainly related to unremitted earnings from joint ventures.

The potential deferred tax assets in respect of tax losses which have not been recognised in the consolidated accounts amounted to approximately US$22,384,000 as at 31 December 2013 (2012: US$24,124,000).

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

	As at 31 December	
	2013 US$'000	2012 US$'000
No expiry date	**68,206**	64,385
2013	**-**	10,590
2014	**-**	8,437
2015	**9,323**	10,829
2016	**686**	350
2017	**16,470**	10,281
2018	**1,272**	-
	95,957	104,872

19 INVENTORIES

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)
Raw materials	**483**	488
Finished goods	**937**	1,102
	1,420	1,590

20 TRADE RECEIVABLES

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)
Trade receivables from third parties	**10,424**	6,757
Trade receivables from related parties (Note 30)	**2,986**	2,751
	13,410	9,508

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

The carrying value of trade receivables approximates their fair values.

Movements on the provision for trade receivables are as follows:

	2013 US$'000	2012 US$'000 (Restated)
At 1 January	**1,554**	1,470
Provision	**42**	72
Exchange difference	**74**	12
At 31 December	**1,670**	1,554

The impaired and provided receivables of US$1,670,000 (2012 restated: US$1,554,000) are aged over 6 months.

Notes To The Accounts

20 TRADE RECEIVABLES (Continued)

As at 31 December 2013, trade receivables of approximately US$3,703,000 (2012 restated: US$4,797,000) 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:

	2013 US$'000	2012 US$'000 (Restated)
Up to 3 months	**1,136**	846
4 to 6 months	**959**	916
6 to 12 months	**1,608**	3,035
	3,703	4,797

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.

21 CASH AND CASH EQUIVALENTS

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)
Cash at bank and in hand	**20,946**	13,948
Short-term bank deposits (note (a))	**25,917**	16,819
	46,863	30,767

	2013 US$'000	2012 US$'000
Denominated in:		
US dollars	**12,203**	4,163
RMB (note (b))	**32,139**	22,678
UK Pound Sterling	**212**	311
HK$	**1,651**	2,231
Euro	**658**	1,384
	46,863	30,767

Notes:

(a) The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 7 to 90 days, was 2.1% (2012: 2.7%) 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.

22 SHARE CAPITAL

(a) Authorised and issued share capital

	Number of shares of US$1 each	Nominal amount US$'000
Authorised:		
As at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	75,000,000	75,000

	Number of Shares	US$'000
Issued and fully paid:		
As at 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
As at 1 January 2013	52,048,448	52,048
Issue of shares under share option scheme (note)	3,000	3
As at 31 December 2013	52,051,448	52,051

Note:

Issue date	9 January 2012	14 June 2012	4 September 2012	4 September 2012	26 February 2013
Number of ordinary shares of US$1 each allotted and issued by the Company	51,212	192,108	53,650	8,325	3,000
Issue price	£1.090	£1.260	£1.715	£1.535	£1.535
Aggregate cash consideration (US$'000)	86	377	145	21	7
Weighted average share price at the exercise date	£3.68	£3.98	£3.83	£3.83	£4.40

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

Notes To The Accounts

22 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 2013, options representing approximately 4.4% of the issued share capital of the Company were granted to directors of the Company and certain employees of the Group and its joint ventures 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 2013:

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 (note (i))	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 (note (i))	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	40,857
	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	177,600
	24 June 2011 (note (iii))	From 24 June 2011 to 23 June 2021	£4.405	150,000
	20 December 2013 (note (iii))	From 20 December 2013 to 19 December 2023	£6.100	896,386
				2,303,317

22 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:

	2013		2012	
	Weighted average exercise price in £ per share	**Number of options**	Weighted average exercise price in £ per share	Number of options
As at 1 January	**2.22**	**1,459,931**	2.06	1,765,226
Granted	**6.10**	**896,386**	-	-
Exercised	**1.54**	**(3,000)**	1.32	(305,295)
Lapsed	**4.97**	**(50,000)**	-	-
As at 31 December	**3.67**	**2,303,317**	2.22	1,459,931

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 2013.

Notes:

(i) The share options were granted on 4 June 2005, conditionally upon the Company's Admission which took place on 19 May 2006. The share options granted and exercisable subject to, amongst other relevant vesting criteria, the vesting schedules of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009.

(ii) The share options granted 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 2013, the fair value of share options in connection with the 2,303,317 share options outstanding as at the same date remain unvested was amounting to £882,000 (equivalent to US$1,444,000). 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 2013 amounted to US$206,000 (2012: US$416,000).

Notes To The Accounts

22 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	20 December 2013
Value of each share option	£1.546	£0.553	£0.533	£0.569	£1.361	£1.995	£1.841	£3.154
Significant inputs into the valuation model:								
Exercise price	£1.090	£1.715	£1.535	£1.260	£3.195	£4.967	£4.405	£6.100
Share price at effective grant date	£2.5050	£1.7325	£1.5400	£1.2600	£3.1500	£4.6000	£4.3250	£6.100
Expected volatility (notes (i) to (v))	38.8%	38.8%	40.0%	35.0%	49.9%	48.43%	46.6%	36.00%
Risk-free interest rate	4.540%	4.766%	5.098%	4.700%	3.340%	3.360%	3.130%	3.160%
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	6.25 years
Expected dividend yield	0%	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, 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.

(v) For share options granted on 20 December 2013, the volatility of the underlying stock during the life of the options is estimated with reference to the volatility of the Company seven years prior to the issuance of share options.

22 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 holding company, 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 2013, options representing approximately 1.8% 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 2013:

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	57,000
	5 October 2009 (note (i))	From 5 October 2009 to 4 October 2015	US$1.52	50,000
	3 May 2010 (note (i))	From 3 May 2010 to 2 May 2016	US$2.12	300,000
	2 August 2010 (note (i))	From 2 August 2010 to 1 August 2016	US$2.24	25,000
	18 April 2011 (note (i))	From 18 April 2011 to 17 April 2017	US$2.36	106,420
				538,420

Notes To The Accounts

22 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:

	2013		2012	
	Weighted average exercise price in US$ per share	**Number of options**	Weighted average exercise price in US$ per share	Number of options
As at 1 January	**1.87**	**3,144,505**	1.73	4,050,607
Granted	**-**	**-**	2.73	299,120
Lapsed/Cancelled (note (ii))	**1.80**	**(2,606,085)**	1.61	(1,205,222)
As at 31 December	**2.03**	**538,420**	1.87	3,144,505

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) Out of 2,606,085 share options, (i) 2,485,189 were cancelled with the consent of the relevant eligible employees in exchange for new share options of the Company vesting over a period of four years and/or cash consideration payable over a period of four years and (ii) 120,896 were cancelled following cessation of employment of the relevant eligible employees.

(iii) As at 31 December 2013, the fair value of share options in connection with the 538,420 share options outstanding as at the same date remain unvested was amounting to US$79,000. 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 2013 amounted to US$151,000 (2012: US$336,000) and of which no such expenses (2012: US$44,000) has been capitalised as intangible assets during the year.

22 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**	**18 April 2011**
Value of each share option	US$0.034	US$0.027	US$0.361	US$0.258	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
Share price at effective grant date	US$0.270	US$0.261	US$1.098	US$1.030	US$2.048
Expected volatility (note)	53%	53%	54%	49%	55%
Risk-free interest rate	3.293%	2.564%	2.772%	2.007%	2.439%
Expected life of options	4.6 to 5.8 years	6 years	6 years	6 years	6 years
Expected dividend yield	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.

Notes To The Accounts

23 NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2013 is approximately US$15,966,000 (2012: US$11,620,000) of which US$10,587,000 (2012: US$9,260,000) is attributable to Hutchison BYS (Guangzhou) Holding Limited ("HGHL") and its subsidiaries (together the "HGHL Group"), US$3,626,000 (2012: nil) is attributable to HMHL and its subsidiaries ("HMHL Group") and US$1,753,000 (2012: US$2,360,000) is attributable to Hutchison Hain Organic Holdings Limited ("HHOH") and its subsidiaries (together the "HHOH Group").

Set out below are the particulars and summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Name	Principle place of business	Equity interest attributable to the non-controlling interests
HGHL	British Virgin Islands	20%
HMHL (note (i))	Cayman Islands	12.24%
HHOH (note (ii))	British Virgin Islands	50%

Notes:

(i) The Group has 4 voting rights out of total of 5 voting rights.

(ii) The portion of equity interest is in proportion to the portion of voting rights. The Group has one additional casting vote in the event of deadlock.

Summarised consolidated statements of financial position

	HGHL Group As at 31 December		HMHL Group As at 31 December		HHOH Group As at 31 December	
	2013	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Current assets	**172**	8	**21,215**	14,468	**8,230**	7,944
Non-current assets	**53,335**	46,387	**28,104**	35,122	**45**	64
Current liabilities	**(1,060)**	(879)	**(19,928)**	(18,640)	**(4,734)**	(3,300)
Non-current liabilities	**(3,265)**	(2,980)	**-**	(12,466)	**(9,600)**	(9,600)
Net assets/(liabilities)	**49,182**	42,536	**29,391**	18,484	**(6,059)**	(4,892)

23 NON-CONTROLLING INTERESTS (Continued)

Summarised consolidated statements of comprehensive income

	HGHL Group For the year ended 31 December		HMHL Group For the year ended 31 December		HHOH Group For the year ended 31 December	
	2013	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Revenue	**-**	-	**29,500**	6,915	**10,157**	8,290
Profit/(loss) before taxation	**8,286**	8,076	**(2,238)**	2,791	**(1,215)**	(3,977)
Taxation charge	**(446)**	(503)	**(21)**	-	**-**	-
Post-tax profit/(loss) (Note)	**7,840**	7,573	**(2,259)**	2,791	**(1,215)**	(3,977)
Other comprehensive income/(loss)	**1,352**	288	**295**	150	**48**	(398)
Total comprehensive income/(loss)	**9,192**	7,861	**(1,964)**	2,941	**(1,167)**	(4,375)
Dividends paid to non-controlling interests	**577**	538	**-**	-	**-**	-

Note:

For the year ended 31 December 2013, the post-tax loss of HHOH Group included approximately US$1,141,000 (2012: US$3,277,000) being attributable to discontinued operations.

Summarised consolidated statements of cash flows

	HGHL Group 31 December 2013 US$'000	HMHL Group 31 December 2013 US$'000	HHOH Group 31 December 2013 US$'000
Net cash generated from/(used in) operating activities	**163**	**2,903**	**(136)**
Net cash used in investing activities	**-**	**(2,457)**	**-**
Net cash generated from financing activities	**-**	**3,982**	**-**
Net increase/(decrease) in cash and cash equivalents	**163**	**4,428**	**(136)**
Cash and cash equivalents at beginning of year	**8**	**8,227**	**4,609**
Exchange gains on cash and cash equivalents	**-**	**314**	**52**
Cash and cash equivalents at end of year	**171**	**12,969**	**4,525**

The information above is the amount before inter-company eliminations.

Transactions with non-controlling interests are set out in Note 30.

Notes To The Accounts

24 TRADE PAYABLES

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)
Trade payables due to third parties	1,811	1,508
Trade payable due to a related party (Note 30)	2,352	1,675
	4,163	3,183

Substantially all the trade payables due to third parties are denominated in US dollar and HK$ 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

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)
Other payables and accruals		
Accrued operating expenses	5,327	2,893
Accrued salaries	3,047	1,263
Other payables	3,895	4,728
	12,269	8,884
Advance receipts		
Payments in advance from customers	248	11
Deferred government incentives	2,872	1,783
Deferred upfront income (note)	-	4,551
	3,120	6,345
	15,389	15,229

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 (2012: US$4.6 million) was recognised during the year.

26 BANK BORROWINGS

	31 December 2013 US$'000	31 December 2012 US$'000 (Restated)
Bank borrowings		
Non-current (note (i))	-	26,923
Current (note (i) and (ii))	51,508	10,892
Total borrowings	51,508	37,815
Weighted average effective interest rate	1.67%	1.87%

Notes:

(i) The long-term bank loan of US$26,923,000 is unsecured, interest bearing, denominated in HK$ and will mature in December 2014. It is included in current bank borrowing as at 31 December 2013 and is guaranteed by Hutchison Whampoa Limited. The carrying amount of the bank loan approximates its fair values.

(ii) 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 2013, the Group's borrowings were repayable as follow:

	2013 US$'000	2012 US$'000 (Restated)
Within 1 year	51,508	10,892
Between 2 and 5 years	-	26,923
	51,508	37,815

Notes To The Accounts

26 BANK BORROWINGS (Continued)

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

	2013 US$'000	2012 US$'000 (Restated)
HK$	**48,718**	37,179
RMB	**2,790**	636
	51,508	37,815

27 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 convertible 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 were classified as financial liabilities as at the reporting date.

In October 2012, the Company had purchased 2,815,249 convertible preference shares amounted to US$7.67 million from one of the convertible 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 recognised in the consolidated income statement for the year ended 31 December 2012.

In March 2013, as a result of the satisfaction of aforementioned conditions, the remaining 4,574,780 convertible preference shares amounting to US$12.47 million was reclassified as equity of HMHL. The Group's interest in HMHL has been diluted from 100% to 87.76%, and the difference between the Group's proportionate share of the carrying amount of the net assets of HMHL diluted and the consideration received has been credited to equity.

28 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

Notes To The Accounts

29 COMMITMENTS

(a) Capital Commitment

The Group had the following capital commitments as at 31 December 2013:

	2013 US$'000	2012 US$'000 (Restated)
Property, plant and equipment		
Contracted but not provided for	**459**	–

(b) Operating lease commitments

The Group leases various factories, offices and retail stores under non-cancellable operating lease agreements. As at 31 December 2013, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	2013 US$'000	2012 US$'000 (Restated)
Not later than one year	**748**	523
Later than one year and not later than five years	**1,654**	1,067
Later than five years	**486**	623
	2,888	2,213

30 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:

		2013 US$'000	2012 US$'000 (Restated)
(a)	Transactions with related parties:		
	Sales of goods to		
	- Fellow subsidiaries	**7,803**	6,967
	Provision of research and development services to		
	- A joint venture	**3,612**	-
	Purchase of goods from		
	- A non-controlling shareholder of a subsidiary	**6,304**	4,802
	Royalty fee paid to		
	- A non-controlling shareholder of a subsidiary	**-**	4
	Rendering of marketing services from		
	- Fellow subsidiaries	**569**	591
	Management service fee to		
	- An intermediate holding company	**914**	914
	Interest paid to		
	- An immediate holding company	**92**	-
	Guarantee fee on bank loan to		
	- The ultimate holding company	**471**	471
	Dividend paid to		
	- A non-controlling shareholder of a subsidiary	**577**	538

No transactions have been entered into with the directors of the Company (being the key management personnel) during the years ended 31 December 2012 and 2013 other than the emoluments paid to them (being the key management personnel compensation) as disclosed in Note 12.

Details of guarantee provided by the ultimate holding company for bank borrowing are disclosed in Note 26.

Notes To The Accounts

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

		2013 US$'000	2012 US$'000 (Restated)
(b)	Balances with related parties included in:		
	Trade receivables from related parties:		
	- Fellow subsidiaries (Note 20) (note (i))	**2,986**	2,751
	Trade payable due to a related party:		
	- A non-controlling shareholder of a subsidiary (Note 24) (note (i))	**2,352**	1,675
	Amounts due from related parties:		
	- The ultimate holding company (note (i))	**88**	-
	- A fellow subsidiary (note(i))	**89**	-
	- Joint ventures (note (i))	**1,808**	1,194
		1,985	1,194
	Amounts due to related parties:		
	- Immediate holding company (note (iii))	**7,374**	6,217
	- A fellow subsidiary (note (i))	**-**	86
		7,374	6,303
	Non-controlling shareholders:		
	- Loans from non-controlling shareholders of subsidiaries (note (ii))	**5,379**	5,379

Notes:

(i) 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.

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

(iii) Amount due to immediate holding company as at 31 December 2013 is unsecured, interest-bearing (2012: interest-free) and repayable on demand. The carrying values of balances with related parties approximate their fair values due to their short-term maturities.

31 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.

32 APPROVAL OF ACCOUNTS

The consolidated accounts set out on pages 48 to 111 were approved by the Board of Directors on 17 February 2014.

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES AT 31 DECEMBER 2013

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			
			2013	2012		
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	87.76%	100%	Limited liability company	Research and development of pharmaceutical 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
Joint ventures						
Shanghai Hutchison Pharmaceuticals Limited	The PRC	RMB229,000,000	50%	50%	Limited liability company	Manufacture and distribution of TCM products
Nutrition Science Partners Limited	Hong Kong	HK$20,000	43.88%	50%	Limited liability company	Research and development of pharmaceutical 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 control over their financial and operating policies of HHOL and HHOGZL.

Information For Shareholders

Listing
The Company's ordinary shares are listed on AIM regulated by the London Stock Exchange

Code
HCM

Financial Calendar
Closure of Register of Members	7 May 2014 to 8 May 2014
Annual General Meeting	8 May 2014
Interim Results Announcement	July 2014

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Past Performance and Forward Looking Statements
The performance and the results of operations of the Group contained within this Annual Report are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this Annual Report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.