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HUTCHISON CHINA MEDITECH LIMITED

Second Public Filing of Registration Statement on Form F-1 for potential Nasdaq Stock Market Listing

London: Friday, 13 November 2015: Further to its announcement on 16 October 2015, Hutchison China MediTech Limited ("Chi-Med") (AIM: HCM) announces that it has publicly filed today a second draft of the registration statement on Form F-1 (the "Form F-1 Registration Statement") with the United States Securities and Exchange Commission (the "SEC") in relation to a potential listing of American depositary shares ("ADSs") representing its ordinary shares on the Nasdaq Stock Market (the "Offering"). As of the date of this announcement, Chi-Med has not yet set a definite timetable or decided on further details of the potential Offering and there can be no assurance that the potential Offering will be completed. Accordingly, the number of ADSs which may be offered and the offering price of the potential Offering have not yet been determined. The directors of Chi-Med will assess various factors, including market conditions, in considering whether formally to launch the transaction.

Bank of America Merrill Lynch and Deutsche Bank Securities (in alphabetical order) are acting as joint global coordinators and joint bookrunners for the potential Offering.

The second draft of the Form F-1 Registration Statement relating to the ADSs has been filed with the SEC but has not yet become effective. The ADSs may not be sold, nor may offers to buy be accepted, prior to the time the Form F-1 Registration Statement becomes effective. The Form F-1 Registration Statement and all subsequent amendments may be accessed through the SEC's website at www.sec.gov.

This announcement does not constitute an offer to sell or the solicitation of an offer to buy ADSs or any other securities, nor shall there be any sale of ADSs in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

Shareholders and potential investors should note that the potential Offering may or may not proceed, and accordingly are advised to exercise caution when dealing in the securities of Chi-Med.

Presentation of Financial Information

As announced by Chi-Med on 16 October 2015, the consolidated financial statements of Chi-Med included in the Form F-1 Registration Statement have been prepared in accordance with U.S. GAAP, while the historical consolidated financial statements of Chi-Med published prior to the potential Offering were prepared in accordance with IFRS. The second draft of the Form F-1 Registration Statement filed with the SEC today supplementally contains the unaudited condensed consolidated financial statements of Chi-Med as of and for the nine months ended 30 September 2015 and 30 September 2014. In addition, the second draft of the Form F-1 Registration Statement filed today supplementally contains unaudited condensed consolidated accounts for the three non-consolidated joint ventures of Chi-Med, namely, Shanghai Hutchison Pharmaceuticals Limited, Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited and Nutrition Science Partners Limited, as of and for the nine months ended 30 September 2015 and 30 September 2014, which are prepared in accordance with IFRS. Such unaudited condensed consolidated financial statements are set out in the Appendix to this announcement.

Ends

Enquiries:

Chi-Med Christian Hogg, CEO	Telephone: +852 2121 8200
Panmure Gordon (UK) Limited Richard Gray Andrew Potts	Telephone: +44 20 7886 2500
Citigate Dewe Rogerson Anthony Carlisle David Dible	Telephone: +44 20 7638 9571 Mobile: +44 7973 611 888 Mobile: +44 7967 566 919

About Chi-Med

Chi-Med is a China-based, globally-focused healthcare group which researches, develops, manufactures and sells pharmaceuticals and health-related consumer products. Its Innovation Platform focuses on discovering and developing innovative therapeutics in oncology and autoimmune diseases for the global market. Its Commercial Platform manufactures, markets, and distributes prescription drugs and consumer health products in China.

Chi-Med is majority owned by the multinational conglomerate CK Hutchison Holdings Limited (SEHK: 0001). For more information, please visit: www.chi-med.com.

Important information

This announcement, which includes the appendix to it, does not constitute a Form F-1 Registration Statement and does not constitute or form, and will not form, part of any offer or invitation to sell or issue, or the solicitation of an offer to purchase or acquire, any of the Ordinary Shares or ADSs or any other securities in the United States or in any other jurisdiction. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended ("U.S. Securities Act"). Any public offering of securities to be made in the United States will be made by means of a Form F-1 Registration Statement. Such Form F-1 Registration Statement will contain detailed information about the issuer and its management and financial statements. This announcement is being issued pursuant to and in accordance with Rule 135e under the U.S. Securities Act.

No money, securities or other consideration is being solicited, and, if sent in response to the information contained in this announcement, will not be accepted.

Members of the public outside the United States will not be eligible to take part in the potential Offering described above.

This announcement is not directed to, or intended for distribution or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

The distribution of this announcement into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession this announcement come should inform themselves about and observe any such restrictions.

For readers in the European Economic Area

In any EEA Member State that has implemented the Prospectus Directive, this announcement, which includes the appendices to it, is only addressed to and directed at qualified investors in that Member State within the meaning of the Prospectus Directive. The term "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in each relevant Member State), together with any relevant implementing measure in the relevant Member State.

For readers in the United Kingdom

This announcement, which includes the appendix to it, insofar as it constitutes an invitation or inducement to enter into investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the securities which are the subject *of the potential Offering described in this announcement or otherwise, is being directed only at (i) persons who are outside the United Kingdom or (ii) persons who have professional experience in matters relating to investments who fall within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("Order") or (iii) certain high value persons and entities who fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc) of the Order; or (iv) any other person to whom it may lawfully be communicated (all such persons in (i) to (iv) together being referred to as "relevant persons"). The ADSs are only available to, and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such ADSs will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this announcement or any of its contents.*

Forward-looking statements

This announcement, which includes the appendix to it, may contain forward-looking statements that reflect Chi-Med's current expectations regarding future events, including the launch and completion of the potential Offering. A further list and description of risks, uncertainties and other risks associated with an investment in Chi-Med can be found in Chi-Med's filings with the United States Securities and Exchange Commission, including the Form F-1 Registration Statement. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Chi-Med undertakes no obligation to update or revise the information contained in this announcement, whether as a result of new information, future events or circumstances or otherwise.

Appendix

Unaudited Condensed Consolidated Financial Statements of Chi-Med prepared in accordance with U.S. GAAP

and

Unaudited Condensed Consolidated Accounts of Non-Consolidated Joint Ventures prepared in accordance with IFRS

Hutchison China MediTech Limited
Condensed Consolidated Balance Sheets
(in US$'000)

	September 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	31,756	38,946
Short-term investments	—	12,179
Accounts receivable—third parties	32,723	22,724
Accounts receivable—related parties	2,232	2,184
Other receivables, prepayments and deposits	2,170	3,016
Amounts due from related parties	9,487	6,283
Inventories	10,084	4,405
Deferred tax assets	92	105
Total current assets	**88,544**	**89,842**
Property, plant and equipment, net	8,019	7,482
Leasehold land	1,363	1,436
Goodwill	3,430	3,430
Other intangible asset	593	666
Long-term prepayment	2,209	—
Investments in equity investees	116,745	107,978
Total assets	**220,903**	**210,834**
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable—third parties	19,100	18,237
Accounts payable—related parties	5,686	2,190
Other payables, accruals and advance receipts	19,781	17,159
Deferred revenue	2,850	2,394
Amounts due to related parties	12,203	8,716
Short-term bank borrowings	19,872	26,282
Deferred tax liabilities	310	321
Total current liabilities	**79,802**	**75,299**
Deferred tax liabilities	3,377	2,626
Long-term bank borrowings	26,923	26,923
Deferred revenue	2,908	4,182
Deferred income	2,209	—
Other non-current liabilities	3,961	3,853
Total liabilities	**119,180**	**112,883**
Commitments and contingencies (Note 19)		
Redeemable non-controlling interest	—	41,036
Company's shareholders' equity		
Ordinary share; $1.00 par value; 75,000,000 shares authorized; 56,514,368 and 53,076,676 shares issued at September 30, 2015 and December 31, 2014	56,514	53,076
Additional paid-in capital	115,264	76,256
Accumulated losses	(95,399)	(100,051)
Accumulated other comprehensive income	5,786	9,870
Total Company's shareholders' equity	**82,165**	**39,151**
Non-controlling interests	19,558	17,764
Total shareholders' equity	**101,723**	**56,915**
Total liabilities and shareholders' equity	**220,903**	**210,834**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison China MediTech Limited
Condensed Consolidated Statements of Operations
(Unaudited, in US$'000, except share and per share data)

	Nine Months Ended September 30,	
	2015	**2014**
Revenues		
Sales of goods—third parties	82,747	36,722
Sales of goods—related parties	6,261	5,362
Revenue from license and collaboration agreements—third parties	27,197	10,048
Revenue from research and development services—third parties	1,865	2,652
Revenue from research and development services—related parties	3,851	3,470
Total revenues	**121,921**	**58,254**
Operating expenses		
Costs of sales of goods—third parties	(74,742)	(33,363)
Costs of sales of goods—related parties	(4,595)	(3,492)
Research and development expenses	(32,090)	(20,746)
Selling expenses	(6,709)	(3,011)
Administrative expenses	(13,649)	(9,745)
Total operating expense	**(131,785)**	**(70,357)**
Loss from operations	**(9,864)**	**(12,103)**
Other income/(expense)		
Interest income	391	348
Other income	265	8
Interest expense	(1,057)	(1,130)
Other expense	(197)	(722)
Total other expense	**(598)**	**(1,496)**
Loss before income taxes and equity in earnings of equity investees	**(10,462)**	**(13,599)**
Income tax expense	(1,380)	(1,071)
Equity in earnings of equity investees, net of tax	18,632	11,061
Net income/(loss) from continuing operations	**6,790**	**(3,609)**
Income from discontinued operations, net of tax	—	1,750
Net income/(loss)	**6,790**	**(1,859)**
Less: Net income attributable to non-controlling interests	(2,156)	(2,582)
Net income/(loss) attributable to the Company	**4,634**	**(4,441)**
Accretion on redeemable non-controlling interest	(43,001)	(15,126)
Net loss attributable to ordinary shareholders of the Company	**(38,367)**	**(19,567)**
Earnings/(losses) per share attributable to ordinary shareholders of the Company—basic and diluted (US$ per share)		
Continuing operations	(0.71)	(0.39)
Discontinued operations	—	0.02
Number of shares used in per share calculation—basic and diluted	54,039,545	52,417,249

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison China MediTech Limited
Condensed Consolidated Statements of Comprehensive Income
(Unaudited, in US$'000)

	Nine Months Ended September 30,	
	2015	**2014**
Net income/(loss)	**6,790**	**(1,859)**
Other comprehensive loss:		
Foreign currency translation loss	(4,461)	(1,580)
Total comprehensive income/(loss)	**2,329**	**(3,439)**
Less: Comprehensive income attributable to non-controlling interests	(1,779)	(2,393)
Total comprehensive income/(loss) attributable to ordinary shareholders of the Company	**550**	**(5,832)**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison China MediTech Limited
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited, in US$'000, except share and per share data)

	Ordinary Number	Shares Amount	Additional Paid-in Capital	Accumulated Losses	Accumulated Other Comprehensive Income	Total Company's Shareholders' Equity	Non-controlling Interests	Total Equity
As of January 1, 2014	**52,051**	**52,051**	**99,361**	**(92,575)**	**12,310**	**71,147**	**6,960**	**78,107**
Net (loss)/income	—	—	—	(4,441)	—	(4, 441)	2,582	(1,859)
Non-controlling interests arising from acquisition of a subsidiary	—	—	—	—	—	—	9,003	9,003
Issuance of ordinary shares in relation to exercise of options	845	845	711	—	—	1,556	—	1,556
Share-based compensation	—	—	514	—	—	514	—	514
Transfer between reserve	—	—	8	(8)	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	(1,391)	(1, 391)	(189)	(1,580)
Dividend paid to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	(577)	(577)
Accretion to redemption value of redeemable non-controlling interest	—	—	(15,126)	—	—	(15,126)	—	(15,126)
As of September 30, 2014	**52,896**	**52,896**	**85,468**	**(97,024)**	**10,919**	**52,259**	**17,779**	**70,038**
As of January 1, 2015	**53,076**	**53,076**	**76,256**	**(100,051)**	**9,870**	**39,151**	**17,764**	**56,915**
Net income	—	—	—	4,634	—	4,634	2,156	6,790
Issuance of ordinary shares in relation to exercise of options	224	224	1,024	—	—	1,248	—	1,248
Issuance of ordinary shares in exchange for redeemable non-controlling interest	3,214	3,214	80,823	—	—	84,037	—	84,037
Share-based compensation	—	—	138	—	—	138	—	138
Transfer between reserve	—	—	24	(24)	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	(4,084)	(4,084)	(377)	(4,461)
Dilution of interests in a subsidiary in relation to exercise of options of a subsidiary	—	—	—	42	—	42	15	57
Accretion to redemption value of redeemable non-controlling interest	—	—	(43,001)	—	—	(43,001)	—	(43,001)
As of September 30, 2015	**56,514**	**56,514**	**115,264**	**(95,399)**	**5,786**	**82,165**	**19,558**	**101,723**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison China MediTech Limited
Condensed Consolidated Statements of Cash Flows
(Unaudited, in US$'000)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating activities		
Net income/(loss)	6,790	(1,859)
Adjustments to reconcile net income/(loss) to net cash used in operating activities		
Depreciation and amortization	1,531	875
Loss on retirement of property, plant and equipment	1	15
Inventories written off	9	202
Provision for excess and obsolete inventories	—	10
Decrease in provision for excess and obsolete inventories due to sales of inventories	(9)	(88)
Allowance for doubtful accounts	78	193
Share-based compensation expense	393	769
Equity in earnings of equity investees	(18,632)	(11,061)
Dividend received from equity investees	6,410	15,949
Foreign currency (loss)/gain	(52)	290
Income taxes	905	506
Changes in operating assets and liabilities		
Accounts receivable—third parties	(10,077)	6,439
Accounts receivable—related parties	(48)	2,446
Other receivables, prepayments and deposits	846	927
Amounts due from related parties	(3,204)	(5,095)
Inventories	(5,679)	(3)
Accounts payables—third parties	863	(1,229)
Accounts payables—related parties	3,496	(272)
Other payables, accruals and advance receipts	2,328	(1,541)
Deferred revenue	(818)	(549)
Deferred income	2,209	—
Amounts due to related parties	3,487	907
Long-term prepayment	(2,209)	—
Net cash (used in)/generated from operating activities	(11,382)	7,831
Investing activities		
Acquisition of a subsidiary, net of cash acquired	—	689
Purchases of property, plant and equipment	(2,245)	(2,661)
Withdrawal of deposit in short-term investments	12,179	—
Net cash generated from/(used in) investing activities	9,934	(1,972)
Financing activities		
Proceeds from issuance of ordinary shares	1,248	1,556
Proceeds from exercise of share options of a subsidiary	57	—
Dividend paid to a non-controlling shareholder of subsidiary	—	(577)
Capital contribution from redeemable non-controlling interests	—	3,059
Repayment of loan to a non-controlling shareholder of a subsidiary	—	(2,250)
Proceeds from bank borrowings	—	8,205
Repayment of bank borrowings	(6,410)	(7,559)
Net cash (used in)/generated from financing activities	(5,105)	2,434
Net (decrease)/increase in cash and cash equivalents	(6,553)	8,293
Effect of exchange rate changes on cash and cash equivalents	(637)	(263)
Cash and cash equivalents		
Cash and cash equivalents at beginning of period	38,946	46,863
Cash and cash equivalents at end of period	31,756	54,893
Supplemental disclosure for cash flow information		
Cash paid for interest	905	994
Cash paid for tax, net of refunds	475	911
Supplemental disclosure for non-cash activities		
Issuance of ordinary shares in exchange for redeemable non-controlling interests	84,037	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Organization and Nature of Business

Hutchison China MediTech Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in researching, developing, manufacturing and selling pharmaceuticals and health-related consumer products. The Group and its equity investees 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.

The Company considers Hutchison Healthcare Holdings Limited as its immediate holding company and CK Hutchison Holdings Limited ("CK Hutchison") as its ultimate holding company. Hutchison Whampoa Limited was the Company's ultimate holding company till June 3, 2015 when it became a subsidiary of CK Hutchison upon certain reorganization within the group.

The Group determines the operating segments from both business and geographic perspectives as follows:

(i) Innovation Platform (Drug research and development ("Drug R&D")): focuses on discovering and developing innovative therapeutics in oncology and autoimmune diseases, and the provision of research and development services; and

(ii) Commercial Platform: comprising of the manufacture, marketing and distribution of prescription and over-the-counter pharmaceuticals in the PRC as well as certain health-related consumer products through Hong Kong. The Commercial Platform is further segregated into two core business areas:

  (a) Prescription Drugs: comprises the development, manufacture, distribution, marketing and sale of prescription pharmaceuticals; and

  (b) Consumer Health: comprises the development, manufacture, distribution, marketing and sale of over-the-counter pharmaceuticals and health-related consumer products.

Innovation Platform and Prescription Drugs business under the Commercial Platform are primarily located in the PRC. The locations for Consumer Health business under the Commercial Platform are further segregated into the PRC and Hong Kong.

The Group discontinued an operation in the PRC of the Consumer Health business under the Commercial Platform.

The Company was incorporated in the Cayman Islands on December 18, 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 are listed on the AIM regulated by the London Stock Exchange.

Liquidity

The Group incurred losses from operations of US$9.9 million and US$12.1 million for the nine months ended September 30, 2015 and 2014. As of September 30, 2015 the Group had accumulated losses of US$95.4 million. As of September 30, 2015, the Group had cash and cash equivalents of US$31.8 million and unutilized bank borrowing facilities of US$10.1 million. The Group regularly monitors 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.

Based on the Group's operating plan, existing cash and cash equivalents are considered to be sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months. The Group's operating plan includes the continued receipt of dividends from certain of its equity investees and there can be no assurances that these entities will continue to declare and pay dividends to its shareholders.

2. Particulars of Principal Subsidiaries and Equity Investees

Name	Place of establishment and operations	Equity interest attributable to the Group: September 30, 2015	Equity interest attributable to the Group: December 31, 2014	Principal activities
Subsidiaries				
Hutchison MediPharma Limited	The PRC	99.75%	99.81%	Research and development of pharmaceutical products
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited ("Hutchison Sinopharm")	The PRC	51%	51%	Provision of sales, distribution and marketing services to pharmaceutical manufacturers
Hutchison Hain Organic (Hong Kong) Limited ("HHOL") (note (i))	Hong Kong	50%	50%	Wholesale and trading of healthcare and consumer products
Hutchison Hain Organic (Guangzhou) Limited ('HHOGZL") (note (i))	The PRC	50%	50%	Wholesale and trading of healthcare and consumer products
Hutchison Healthcare Limited ("HHL")	The PRC	100%	100%	Manufacture and distribution of healthcare products
Hutchison Consumer Products Limited	Hong Kong	100%	100%	Wholesale and trading of healthcare and consumer products
Equity investees				
Nutrition Science Partners Limited ("NSPL") (note (ii))	Hong Kong	49.88%	49.91%	Research and development of pharmaceutical products
Shanghai Hutchison Pharmaceuticals Limited ("SHPL")	The PRC	50%	50%	Manufacture and distribution of prescription drugs products
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") (note (iii))	The PRC	40%	40%	Manufacture and distribution of over-the-counter drug products

Notes:

(i) HHOL and HHOGZL are regarded as subsidiaries of the Company as while both shareholders have equal representation at the Board, in the event of a deadlock, the Group has a casting vote and is therefore, able to unilaterally control the financial and operating policies of HHOL and HHOGZL.

(ii) The 50% equity interest in NSPL is held by a 99.75% and 99.81% owned subsidiary of the Group as of September 30, 2015 and December 31, 2014. The effective equity interest of the Group in NSPL is therefore 49.88% and 49.91% as at September 30, 2015 and December 31, 2014.

(iii) The 50% equity interest in HBYS is held by a 80% owned subsidiary of the Group. The effective equity interest of the Group in HBYS is therefore 40% as at September 30, 2015 and December 31, 2014.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for the interim period financial information and with the instructions to Rule 10-01 of Regulation S-X.

Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim period condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the interim period unaudited condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal year. The condensed consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by U.S. GAAP. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2014.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for amounts recorded in connection with acquisitions, including initial fair value determinations of assets and liabilities and other intangible assets as well as subsequent fair value measurements. Additionally, estimates are used in determining items such as useful lives of property, plant and equipment, write-down of inventories, allowance for doubtful accounts, share-based compensation, impairments of long-lived assets, impairment of other intangible asset and goodwill, taxes on income, tax valuation allowances and revenues from research and development projects. Actual results could differ from those estimates.

Foreign Currency Translation

The Group's functional currency is Renminbi ("RMB") but the presentation currency is U.S. dollar ("US$"). The financial statements of the Company's subsidiaries with a functional currency other than the U.S. dollar have been translated into the Company's reporting currency, the U.S. dollar. All assets and liabilities of the subsidiaries are translated using year-end exchange rates and revenues and expenses are translated at average exchange rates for the year. Translation adjustments are reflected in the accumulated other comprehensive income/(loss) component of shareholders' equity.

Net foreign currency exchange losses of US$196,000 and US$468,000 were recorded in other expense for the nine months ended September 30, 2015 and 2014 respectively.

3. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Group considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of cash on hand and demand deposits and are stated at cost, which approximates fair value.

Short-term Investments

Short-term investments include deposits placed with banks with original maturities of more than three months but less than one year. Interest generated from short-term investments are recorded over the period earned. It is recorded as 'interest income' on the statement of operations and measured based on the actual amount of interest the Group earns.

Concentration of Credit Risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable, other receivables and amounts due from related parties.

The Group places substantially all of its deposits of cash and cash equivalents and short-term investments 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 particular financial institution.

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of goods 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.

Foreign Currency Risk

The Group's operating transactions and its assets and liabilities are mainly denominated in RMB, which is not freely convertible into foreign currencies. The Group's cash and cash equivalents that are subject to such government controls as of September 30, 2015 and December 31, 2014 are as disclosed in Note 7. The value of the RMB is subject to changes by the central government policies and international economic and political developments that affect the supply and demand of RMB in the foreign exchange market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

3. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

Financial instruments that are measured at fair value is determined according to a fair value hierarchy that prioritizes the inputs and assumptions used, and the valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs are quoted prices for similar assets or liabilities in active markets; or quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
Level 3	Inputs are unobservable inputs based on the Group's assumptions and valuation techniques used to measure assets or liabilities at fair value. The inputs require significant management judgment or estimation.

The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The fair value of assets and liabilities is established using the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and a fair value hierarchy is established based on the inputs used to measure fair value.

Goodwill

Goodwill represents the excess of the purchase price plus fair value of non-controlling interests over the fair value of identifiable assets and liabilities acquired. Goodwill is not amortized, but is tested for impairment at the reporting unit level on at least an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. When performing an evaluation of goodwill impairment, the Group has the option to first assess qualitative factors, such as significant events and changes to expectations and activities that may have occurred since the last impairment evaluation, to determine if it is more likely than not that goodwill might be impaired. If, as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative fair value test is performed. No impairments of goodwill were identified during any of the years presented.

Property, Plant and Equipment

Property, plant and equipment consist of buildings, leasehold improvements, plant and equipment, furniture, fixtures, other equipment and motor vehicles. Property, plant and equipment are stated at cost,

3. Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets.

Buildings	20 years
Plant and equipment	10 years
Furniture and fixtures, other equipment and motor vehicles	4-5 years
Leasehold improvements	Shorter of (a) 5 years or (b) remaining term of lease

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of operations in the year of disposition. Additions and improvements that increase the value or extend the life of an asset are capitalized. Repairs and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

The Group evaluates the recoverability of long-lived assets in accordance with authoritative guidance on accounting for the impairment or disposal of long-lived assets. The Group evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Such impairment is recognized in the event the net book value of such assets exceeds their fair value. If the carrying value of the net assets assigned exceeds the fair value of the assets, then the second step of the impairment test is performed in order to determine the implied fair value. No impairment of long-lived assets occurred in the years presented.

Leasehold Land

Leasehold land represents fees paid to acquire the right to use the land on which various plants and buildings are situated for a specified period of time from the date the respective right was granted and are stated at cost less accumulated amortization and impairment loss, if any. Amortization is computed using straight-line basis over the lease period of 50 years.

Other Intangible Asset

Other intangible asset with finite useful life represents the Goods Supply Practice (“GSP”) license. It is carried at cost less accumulated amortization and impairment loss, if any. Amortization is computed using straight-line basis over its estimated useful life of 10 years.

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 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. A provision for excess and obsolete inventory will be made based primarily on forecast of product demand and production requirements. The excess balance determined by this analysis becomes the basis for excess

3. Summary of Significant Accounting Policies (Continued)

Inventories (Continued)

inventory charge and the written-down value of the inventory becomes its cost. Written-down inventory is not written up if market conditions improve.

Accounts Receivable

Accounts receivable are stated at the amount management expect to collect from customers based on their outstanding invoices. Management reviews accounts receivable regularly to determine if any receivable will potentially be uncollectible. Estimates are used to determine the amount of allowance for doubtful accounts necessary to reduce accounts receivable to its estimated net realizable value. The amount of the allowance for doubtful accounts is recognized in the statement of operations.

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits, share-based compensation, occupancy, materials and supplies, contracted research, consulting arrangements and other expenses incurred to sustain the Group's research and development programs. Research and development costs are expensed as incurred.

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 statement of operations on a straight-line basis over the period of the leases.

Total operating lease rentals of land and building for the nine months ended September 30, 2015 and 2014 amounted to US$1,001,000 and US$798,000 respectively. US$51,000 and nil were recorded in research and development expense for the nine months ended September 30, 2015 and 2014 respectively and US$950,000 and US$798,000 were recorded in administrative expenses for the nine months period ended September 30, 2015 and 2014 respectively. Government incentives received in respect of research and development are recorded as a reduction to operating lease rentals.

Income Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss (estimated annual effective tax rate).

Borrowings

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

Defined Contribution Plans

The Company's subsidiaries in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to employees. The relevant labour regulations require the Company's subsidiaries in the PRC to

3. Summary of Significant Accounting Policies (Continued)

Defined Contribution Plans (Continued)

pay the local labour and social welfare authorities monthly contributions at a stated contribution rate based on the monthly basic compensation of qualified employees. The relevant local labour and social welfare authorities are responsible for meeting all retirement benefits obligations and the Company's subsidiaries in the PRC have no further commitments beyond their monthly contributions. The contributions to the plan are expensed as incurred.

The Group also makes payments to other defined contribution plans for the benefit of employees employed by subsidiaries outside the PRC. The defined contribution plans are generally funded by the relevant companies and by payments from employees of the contribution plans.

The Group's contributions to defined contribution plans for the nine months ended September 30, 2015 and 2014 amounted to US$1,267,000 and US$990,000 respectively.

Share-Based Compensation

The Group recognizes share-based compensation expense on share options granted to employees and directors based on their estimated grant date fair value using the Binomial model. This Binomial pricing model uses various inputs to measure fair value, including estimated market value of the underlying ordinary share at the grant date, contractual terms, estimated volatility, risk-free interest rate and expected dividend yields. The Group recognizes share-based compensation expense, net of estimated forfeitures, in the consolidated statements of operations on a graded vesting over the requisite service period. The Group applies an estimated forfeiture rate derived from historical and expected future employee termination behaviour. If the actual number of forfeitures differs from those estimated by management, adjustments to compensation expense may be required in future periods.

For share options granted to non-employees, the fair value of the share options is estimated using the Binomial model. This model utilizes the estimated market value of the Company's underlying ordinary share at the measurement date, the contractual terms of the option, estimated volatility, risk-free interest rates and expected dividend yields of the Company's ordinary share. The Company recognizes share-based compensation expense, net of estimated forfeitures, in the consolidated statements of operations on graded vesting over the requisite service period. Measurement of share-based compensation is subject to periodic adjustment for changes in the fair value of the award.

Share-based compensation expense, when recognized, is charged to the consolidated statements of operations with the corresponding entry to additional paid-in capital or non-controlling interests.

Convertible Preferred Shares

When the Company or its subsidiaries issues preferred shares, the Group assesses whether such instruments should be liability, mezzanine equity, or permanent equity classified based on multiple indicators such as redemption features, conversion features, voting rights and other embedded features. Freestanding equity instruments with mandatory redemption requirements, embodies an obligation to repurchase the issuer's equity shares by transferring assets, or certain obligations to issue a variable number of shares, are treated as liability-classified instruments. Equity instruments that are redeemable at the option of the holder or not solely within our control are classified as mezzanine equity of the issuer entity (and redeemable non-controlling interests of the consolidated financial statements of the Group if preferred shares are issued by its subsidiaries). Subsequent measurements of financing instruments are driven by the instruments' balance sheet classification.

3. Summary of Significant Accounting Policies (Continued)

Convertible Preferred Shares (Continued)

The Group also reviews the terms of each convertible instrument and determines whether the host instrument is more akin to debt or equity based on the economic characteristics and risks in order to evaluate if there were any embedded features would require bifurcation and separate accounting from the host contract. For embedded conversion features that are not required to be separated under ASC 815, Derivatives and Hedging, the Group analyzes the accounting conversion price and our share price at the commitment date to identify any beneficial conversion features.

For modification to preferred shares not classified as liabilities, the Group assesses whether an amendment to the term of the preferred shares is an extinguishment or a modification using the fair value model. The Group considers that a significant change in fair value after the change of the terms to be substantive and thus triggers extinguishment. A change in fair value which is not significant immediately after the change of the terms is considered non-substantive and thus is subject to modification accounting. When preferred shares are extinguished, the difference between the fair value of the consideration transferred to the preferred shareholders and the carrying amount of such preferred shares (net of issuance costs) is treated as a deemed dividend to the preferred shareholders. When preferred shares are modified and such modification results in value transfer between preferred shareholders and ordinary shareholders, the change in fair value resulted from the amendment is treated as a deemed dividend to or from the preferred shareholders.

Government Incentives

Incentives from governments are recognized at their fair values. Government incentives that are received in advanced are deferred and recognized in the statement of operations over the period necessary to match them with the costs that they are intended to compensate. Government incentives in relation to the achievement of stages of research and development projects are recognized in the statement of operations when there is reasonable assurance that the incentives will be received and all attached conditions have been complied with.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer who is the chief operating decision maker.

The chief operating decision maker has reviewed the Group's internal reporting in order to assess performance and allocate resources and determined that the Group's reportable segments are as disclosed in Note 1.

Revenue Recognition

Sales of goods—wholesale

Revenue from our Commercial Platform segments are recognized when product is delivered and title passes to the customer and there are no further obligations to the customer. Recognition of revenue also requires reasonable assurance of collection of sales proceeds and completion of all performance obligations. Sales discounts are issued to customers as direct discounts at the point-of-sales or indirectly in the form of rebates. Additionally, sales are generally made with a limited right of return under certain conditions. Revenues are recorded net of provisions for sales discounts and returns.

3. Summary of Significant Accounting Policies (Continued)

Revenues from research and development projects

The Group recognizes revenue for the performance of services when each of the following four criteria is met: (i) persuasive evidence of an arrangement exists; (ii) services are rendered; (iii) the sales price is fixed or determinable; and (iv) collectability is reasonably assured.

The Group follows ASC 605-25, Revenue Recognition—Multiple-Element Arrangements and ASC 808, Collaborative Arrangements, if applicable, to determine the recognition of revenue under the Group's license and collaborative research, development and commercialization agreements. The terms of these agreements generally contain multiple elements, or deliverables, which may include (i) licenses to the Group's intellectual property, (ii) materials and technology, (iii) clinical supply, and/or (iv) participation in joint research or joint steering committees. The payments the Group may receive under these arrangements typically include one or more of the following: non-refundable, up-front license fees; funding of research and/or development efforts; amounts due upon the achievement of specified milestones; and/or royalties on future product sales.

ASC 605-25 provides guidance relating to the separability of deliverables included in an arrangement into different units of accounting and the allocation of arrangement consideration to the units of accounting. The evaluation of multiple-element arrangements requires management to make judgments about (i) the identification of deliverables, (ii) whether such deliverables are separable from the other aspects of the contractual relationship, (iii) the estimated selling price of each deliverable, and (iv) the expected period of performance for each deliverable.

To determine the units of accounting under a multiple-element arrangement, management evaluates certain separation criteria, including whether the deliverables have stand-alone value, based on the relevant facts and circumstances for each arrangement. Management then estimates the selling price for each unit of accounting and allocates the arrangement consideration to each unit utilizing the relative selling price method. The Company determines the estimated selling price for deliverables within each agreement using vendor-specific objective evidence ("VSOE") of selling price, if available, or third party evidence of selling price if VSOE is not available, or the Company's best estimate of selling price, if neither VSOE nor third party evidence is available. Determining the best estimate of selling price for a deliverable requires significant judgment. The Company typically uses its best estimate of a selling price to estimate the selling price for licenses to do development work, since it often does not have VSOE or third party evidence of selling price for these deliverables. In those circumstances where the Company applies its best estimate of selling price to determine the estimated selling price of a license to development work, it considers market conditions as well as entity-specific factors, including those factors contemplated in negotiating the agreements as well as internally developed estimates that include assumptions related to the market opportunity, estimated development costs, probability of success and the time needed to commercialize a product candidate pursuant to the license. In validating its best estimate of selling price, the Company evaluates whether changes in the key assumptions used to determine its best estimate of selling price will have a significant effect on the allocation of arrangement consideration between deliverables. The Company recognizes consideration allocated to an individual element when all other revenue recognition criteria are met for that element.

The allocated consideration for each unit of accounting is recognized over the related obligation period in accordance with the applicable revenue recognition criteria.

If there are deliverables in an arrangement that are not separable from other aspects of the contractual relationship, they are treated as a combined unit of accounting, with the allocated revenue for

3. Summary of Significant Accounting Policies (Continued)

Revenues from research and development projects (Continued)

the combined unit recognized in a manner consistent with the revenue recognition applicable to the final deliverable in the combined unit. Payments received prior to satisfying the relevant revenue recognition criteria are recorded as unearned revenue in the accompanying balance sheets and recognized as revenue when the related revenue recognition criteria are met.

The Group typically receives non-refundable, up-front payments when licensing the Group's intellectual property, which often occurs in conjunction with a research and development agreement. If management believes that the license to the Group's intellectual property has stand-alone value, the Group generally recognizes revenue attributed to the license upon delivery provided that there are no future performance requirements for use of the license. When management believes that the license to the Group's intellectual property does not have stand-alone value, the Group would recognize revenue attributed to the license rateably over the contractual or estimated performance period.

For payments payable on achievement of milestones that do not meet all of the conditions to be considered substantive, the Group recognizes a portion of the payment as revenue when the specific milestone is achieved, and the contingency is removed. Other contingent event-based payments for which payment is either contingent solely upon the passage of time or the result of collaborator's performance are recognized when earned. The Company's collaboration and license agreements generally include contingent milestone payments related to specified pre-clinical research and development milestones, clinical development milestones, regulatory milestones and sales-based milestones. Pre-clinical research and development milestones are typically payable upon the selection of a compound candidate for the next stage of research and development. Clinical development milestones are typically payable when a product candidate initiates or advances in clinical trial phases or achieves defined clinical events such as proof-of-concept. Regulatory milestones are typically payable upon submission for marketing approval with regulatory authorities or upon receipt of actual marketing approvals for a compound, approvals for additional indications, or upon the first commercial sale. Sales-based milestones are typically payable when annual sales reach specified levels.

At the inception of each arrangement that includes milestone payments, the Company evaluates whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (i) the entity's performance to achieve the milestone or (ii) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone; (b) the consideration relates solely to past performance; and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. The Company evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

For further details on the license and collaboration agreements, see Note 23.

Comprehensive Income/(loss)

Comprehensive income/(loss) is defined as the change in equity of a business enterprise during a period from transactions, and other events and circumstances from non-owner sources, and currently

3. Summary of Significant Accounting Policies (Continued)

Comprehensive Income/(loss) (Continued)

consists of net income and gains and losses on foreign currency translation related to the Company's subsidiaries.

Earnings/(losses) per share

Basic earnings/(losses) per share is computed by dividing net income/(loss) available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings/(losses) per share is calculated by dividing net income/(loss) attributable to ordinary shareholders, by the weighted average number of ordinary and dilutive ordinary shares equivalents outstanding during the period. Dilutive ordinary share equivalents include shares issuable upon the exercise or settlement of share-based awards issued by the Company and its subsidiaries using the treasury stock method and the ordinary shares issuable upon the conversion of the preferred shares issued by its subsidiary, Hutchison MediPharma Holdings Limited ("HMHL"), (referred to as redeemable non-controlling interest on the consolidated balance sheets) using the if-converted method.

The computation of diluted earnings/(losses) per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect.

In determining the impact from share-based awards and convertible preferred shares issued by HMHL, the Company first calculates the diluted earnings per share at the HMHL and includes in the numerator of consolidated earnings/(losses) per share the amount based on the diluted earnings/(losses) per share of HMHL multiplied by the number of shares owned by the Company.

In addition, periodic accretion to preferred shares of HMHL (Note 20) is recorded as deductions to consolidated net income to arrive at net income/(loss) available to the Company's ordinary shareholders for purpose of calculating the consolidated basic earnings/(losses) per share.

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 statement of operations, which comprises the post-tax profit or loss of the discontinued operation.

Profit appropriation and statutory reserves

The Group's subsidiaries established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to the Foreign Investment Enterprises established in the PRC, the Group's subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from its after-tax profit (as determined under generally accepted accounting principles in the PRC ("PRC GAAP") to reserve funds including general reserve fund, the enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the

3. Summary of Significant Accounting Policies (Continued)

Profit appropriation and statutory reserves (Continued)

after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the company. Appropriation to the enterprise expansion fund and staff bonus and welfare fund is made at the company's discretion.

The use of the general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund are restricted to the offsetting of losses or increases the registered capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to employees and for the collective welfare of employees. All these reserves are not allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

For the periods ended September 30, 2015 and 2014, profit appropriation to statutory funds for the Group's entities incorporated in the PRC was approximately US$24,000 and US$8,000 respectively. No appropriation to other reserves was made for any for the periods presented.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)—Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU 2014-08 defines a discontinued operation as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results." The standard states that a strategic shift could include a disposal of: a major geographic area of operations, a major line of business, a major equity investment, or other major parts of an entity. ASU 2014-08 is effective for fiscal years and interim periods within those years beginning after December 15, 2014. The adoption of ASU 2014-08 did not have a material impact on the Group's consolidated financial position, results of operations, or cash flows. However, in the event that a future disposition meets the revised criteria, this standard will have an impact on the presentation of the financial statements and associated disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards ("IFRS"). An entity has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. Upon issuance of ASU2015-14, *Deferral of Effective Date*, in August 2015, ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2017, and early adoption is permitted but not earlier than the original effective date of December 15, 2016. The Group is currently evaluating the method of adoption and the impact ASU 2014-09 will have on the Group's consolidated financial position, results of operations, cash flows, and associated disclosures.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40)—Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* ASU 2014-15 provides guidance regarding managements responsibility to (i) evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and (ii) provide related footnote disclosures. ASU 2014-15 is effective for fiscal years and interim periods within those years

3. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

beginning after December 15, 2016. The adoption of ASU 2014-15 is not expected to have a significant impact on the Group's consolidated financial statement disclosures.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory" which requires an entity to measure inventory within the scope of this ASU at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this guidance more closely align the measurement of inventory in U.S. GAAP with the measurement of inventory in IFRS. ASU 2015-11 is effective for fiscal years and interim periods within those years beginning after December 15, 2017. The Group does not expect this updated standard to have a material impact on the consolidated financial statements and related disclosures.

Other amendments that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Group's consolidated financial statements upon adoption.

4. Acquisition

In April 2014, the Group invested approximately US$9,597,000 in cash for the subscription of 51% equity interests in the enlarged share capital of Hutchison Sinopharm which was formerly known as Sinopharm Holding HuYong Pharmaceutical (Shanghai) Co., Ltd.. Hutchison Sinopharm is engaged in providing sales, distribution, and marketing services to major domestic and multi-national third party pharmaceutical manufacturers. The Group expects the acquisition will provide a broadened sales and marketing platform for synergy across the Group.

The Group accounted for the acquisition using the acquisition method. The allocation of the purchase price is based on the fair value of assets acquired and liabilities assumed as at the acquisition date. The

4. Acquisition (Continued)

following table summarizes the amount invested in Hutchison Sinopharm and the fair value of the assets acquired and liabilities assumed recognized at the acquisition date.

	In US$'000
Cash and cash equivalents	10,286
Property, plant and equipment	69
Goodwill (note (i))	3,023
Other intangible asset (note (ii))	708
Deferred tax assets	100
Inventories	3,208
Accounts receivable and other receivables	21,105
Accounts payable and other payables	(14,932)
Deferred tax liabilities	(198)
Short-term bank borrowings	(4,769)
Fair value of net assets acquired	18,600
Less: Non-controlling interest (note (iii))	(9,003)
Total purchase consideration	9,597
Cash and cash equivalents acquired	10,286
Less: cash injected	(9,597)
Net cash inflow arising from acquisition	689

Notes:

(i) Goodwill arising from this acquisition is from the premium attributable to a pre-existing, well positioned business in a competitive market. This goodwill is recorded at the consolidation level and is not expected to be deductible for tax purposes. This goodwill is attributable to the Prescription Drugs business under the Commercial Platform.

(ii) Other intangible asset of US$708,000 represents the GSP license which enables Hutchison Sinopharm to carry out the drug distribution business and is amortized over its useful life of 10 years.

(iii) The non-controlling interest is measured as the proportion of fair value of the net assets acquired shared by the non-controlling interest.

(iv) The fair value of accounts receivable and other receivables was equal to the gross contractual amount of which all were expected to be collectible.

(v) Acquisition related costs of approximately US$23,000 have been included in the administrative expenses in the Condensed Consolidated Statements of Operations.

(vi) Hutchison Sinopharm contributed revenue of US$31,379,000 and net income of US$63,000 to the Group for the period from April 25, 2014 to September 30, 2014. If the acquisition has occurred on January 1, 2014, the revenue and net income attributed by Hutchison Sinopharm for the nine months ended September 30, 2014 would have been US$52,351,000 and US$132,000 respectively.

5. Discontinued operations

In 2013, the Group discontinued an operation in the PRC which was part of the Group's Consumer Health business under the Commercial Platform segment, as its performance was below expectation in light of increased competitive activities in the consumer products market.

The results and cash flows of the discontinued operations are set out below.

	September 30, 2015	September 30, 2014
	(in US$'000)	
Sales of goods	—	—
Expenses	—	—
Other income (note (i))	—	2,096
Net income before taxation from discontinued operations	—	2,096
Income tax expense	—	(346)
Net income for the period from discontinued operations	—	1,750
Cash flow from discontinued operations	—	
Net cash generated from operating activities	—	2,515
Net increase in cash and cash equivalents	—	2,515

(i) The income from the discontinued operations for the nine months ended September 30, 2014 represented the compensation income from an arbitration proceeding against a supplier, being the excess of US$2.5 million compensation proceeds received over the carrying amount of US$0.4 million receivables recorded in prior years.

6. Fair Value Disclosures

The following table presents the Group's financial instruments by level within the fair value hierarchy:

	Fair Value Measurement Using			
(in US$'000)	Level 1	Level 2	Level 3	Total
As of September 30, 2015				
Cash and cash equivalents	31,756	—	—	31,756
As of December 31, 2014				
Cash and cash equivalents	38,946	—	—	38,946
Short-term investments	12,179	—	—	12,179

Accounts receivable, other receivables, amounts due from related parties, accounts payable and amounts due to related parties are carried at cost, which approximates fair value due to the short-term nature of these financial instruments and are therefore, excluded from the above table.

The carrying amount of bank borrowings also approximates its fair values.

7. Cash and cash equivalents

	September 30, 2015	December 31, 2014
	(in US$'000)	
Cash at bank and in hand	31,756	32,019
Short-term bank deposits (note (i))	—	6,927
	31,756	38,946
Denominated in:		
US$(note (ii))	3,582	8,104
RMB (note (ii))	16,758	28,034
UK pound sterling	381	247
Hong Kong dollar ("HK$")	11,020	2,543
Euro	15	18
	31,756	38,946

Notes:

(i) The weighted average effective interest rate on bank deposits, with maturity ranging from 7 to 30 days and 7 to 78 days as of September 30, 2015 and December 31, 2014 respectively, was 3.72% and 1.74% per annum as of September 30, 2015 and December 31, 2014 respectively.

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

8. Short-term investments

	September 30, 2015	December 31, 2014
	(in US$'000)	
Bank deposits maturing over three months (note (i))		
Denominated in:		
RMB	—	12,179

Note:

(i) The weighted average effective interest rate on bank deposits, with maturity ranging from 91 to 167 days, was 2.92% per annum as of December 31, 2014.

9. Accounts receivable

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

The carrying amount of accounts receivable approximates its fair values.

9. Accounts receivable (Continued)

Movements on the allowance for doubtful accounts, which is only in respect of accounts receivable—third parties, are as follows:

	2015	2014
	(in US$'000)	
At 1 January	1,793	1,670
Allowance	78	193
Exchange difference	(59)	(47)
At September 30	1,812	1,816

As at September 30, 2015 and December 31, 2014, accounts receivable of approximately US$1,630,000 and US$2,130,000 respectively were past due but not impaired. These are in respect of a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Up to 3 months	192	—
4 to 6 months	277	24
6 to 12 months	1,161	2,106
	1,630	2,130

The credit quality of accounts receivable 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.

As at September 30, 2015, there are no accounts receivables from related parties that are past due or impaired.

10. Other receivable, prepayments and deposits

Other receivable, prepayments and deposits consisted of the following:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Prepayments to suppliers	957	1,327
Interest receivable	47	200
Prepaid general and administrative expenses	247	305
Government incentives	—	407
Others	919	777
	2,170	3,016

11. Inventories

Inventories consisted of the following:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Raw materials	553	291
Finished goods	9,531	4,114
	10,084	4,405

Movements on the provision for excess and obsolete inventories are as follows:

	2015	2014
	(in US$'000)	
At January 1	34	126
Provision	—	10
Decrease due to sale of inventories	(9)	(88)
Exchange difference	(1)	—
At September 30	24	48

12. Property and Equipment

Property and equipment consisted of the following:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Cost		
Buildings	2,412	2,491
Leasehold improvements	5,918	4,291
Plant and equipment	89	91
Furniture and fixtures, other equipment and motor vehicles	12,852	12,278
Construction in progress	258	832
Total Cost	21,529	19,983
Less: Accumulated depreciation	(13,510)	(12,501)
	8,019	7,482

12. Property and Equipment (Continued)

The movements in accumulated depreciation are as follows:

	September 30,	
	2015	2014
	(in US$'000)	
As at January 1	12,501	11,860
Exchange differences	(425)	(179)
Acquisition of a subsidiary	—	112
Expense for the period	1,450	817
Disposals	(16)	(124)
As at September 30	13,510	12,486

Depreciation for the period ended September 30, 2015 and 2014 is approximately US$1,450,000 and US$817,000 respectively.

13. Leasehold land

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

	September 30,	
	2015	2014
	(in US$'000)	
Cost		
As at January 1	1,720	1,761
Exchange differences	(55)	(28)
As at September 30	1,665	1,733
Accumulated amortization		
As at January 1	284	253
Exchange differences	(10)	(5)
Amortization charge	28	28
As at September 30	302	276
Net book value		
As at September 30	1,363	1,457

14. Goodwill and other intangible asset

Goodwill consisted of the following:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Goodwill		
—acquisition of HHL in 2009	407	407
—acquisition of Hutchison Sinopharm in 2014	3,023	3,023
	3,430	3,430

The goodwill arising from acquisition of HHL is included in the Consumer Health business under the Commercial Platform. The goodwill arising from the acquisition of Hutchison Sinopharm is included in the Prescription Drugs business under the Commercial Platform.

The Group performed its most recent annual impairment test as of December 31, 2014 and concluded that goodwill was not impaired.

Other intangible assets consisted of the following:

	September 30,	
	2015	2014
	(in US$'000)	
GSP License		
Cost		
As at January 1	714	—
Addition	—	708
Exchange differences	(23)	11
As at September 30	691	719
Accumulated amortization		
As at January 1	48	—
Amortization charge	53	30
Exchange differences	(3)	—
As at September 30	98	30
Net book value		
As at September 30	593	689

The GSP license arose from the acquisition of Hutchison Sinopharm (see Note 4), is recorded at fair value, and is amortized on a straight-line basis over its estimated useful life of 10 years. The amortization expense for the nine months ended September 30, 2015 and 2014 is approximately US$53,000 and US$30,000 respectively.

14. Goodwill and other intangible asset (Continued)

The estimated aggregate amortization expense for each of the next five years as of September 30, 2015 is as follows:

	GSP License
	(in US$'000)
December 31, 2015	18
December 31, 2016	71
December 31, 2017	71
December 31, 2018	71
December 31, 2019	71

15. Investments in equity investees

	September 30, 2015	December 31, 2014
	(in US$'000)	
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited	59,732	55,753
Shanghai Hutchison Pharmaceuticals Limited	46,913	39,158
Nutrition Science Partners Limited	9,876	12,823
Others	224	244
	116,745	107,978

Particulars regarding the principal equity investees are as disclosed in Note 2.

All of the equity investees are private companies and there is no quoted market price available for their shares.

Summarized financial information for the significant equity investees HBYS, SHPL and NSPL are as follows:

(i) Summarized balance sheet

	Commercial Platform				Innovation Platform	
	Consumer health		Prescription drugs		Drug R&D	
	HBYS		SHPL		NSPL	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
	(in US$'000)					
Current assets	**132,170**	144,129	**91,872**	77,566	**4,738**	8,548
Non-current assets	**85,227**	73,042	**96,498**	65,608	**30,000**	30,000
Current liabilities	**(78,095)**	(84,850)	**(71,771)**	(52,052)	**(14,987)**	(12,903)
Non-current liabilities	**(16,035)**	(17,013)	**(28,979)**	(19,216)	**—**	—
Net assets	**123,267**	115,308	**87,620**	71,906	**19,751**	25,645

15. Investments in equity investees (Continued)

(ii) Summarized statement of operations

	Commercial Platform				Innovation Platform	
	Consumer health		Prescription drugs		Drug R&D	
	HBYS		SHPL		NSPL[a]	
	September 30		September 30		September 30	
	2015	2014	2015	2014	2015	2014
			(in US$'000)			
Revenue	**164,852**	185,722	**139,340**	123,262	**—**	—
Gross profit	**72,110**	72,696	**99,317**	87,790	**—**	—
Depreciation and amortization	**(2,557)**	(2,355)	**(2,109)**	(2,209)	**—**	—
Interest income	**605**	1,093	**186**	196	**—**	—
Finance cost	**(108)**	(165)	**—**	—	**—**	—
Income/(loss) before taxation	**22,066**	20,416	**29,690**	26,709	**(5,894)**	(17,444)
Income tax expense and non-controlling interests	**(3,776)**	(3,331)	**(4,799)**	(4,214)	**—**	—
Net income/(loss)	**18,290**	17,085	**24,891**	22,495	**(5,894)**	(17,444)

Notes:

(a) NSPL only incurs research and development expenses for the periods ended September 30, 2015 and 2014.

(b) The net loss for other individual immaterial equity investee for the nine months period ended September 30, 2015 and 2014 is approximately US$22,000 and US$14,000 respectively.

(iii) Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of investment in equity investees as follows:

	Commercial Platform				Innovation Platform	
	Consumer health		Prescription drugs		Drug R&D	
	HBYS		SHPL		NSPL	
	September 30		September 30		September 30	
	2015	2014	2015	2014	2015	2014
			(in US$'000)			
Opening net assets at January 1	**115,308**	109,986	**71,906**	66,476	**25,645**	42,457
Net income/(loss)	**18,290**	17,085	**24,891**	22,495	**(5,894)**	(17,444)
Dividend declared	**(6,410)**	(12,820)	**(6,410)**	(19,077)	**—**	—
Other comprehensive income and non-controlling interests	**(3,921)**	(1,750)	**(2,767)**	(1,247)	**—**	—
Closing net assets at September 30	**123,267**	112,501	**87,620**	68,647	**19,751**	25,013
Group's share of net assets	**61,633**	56,251	**43,810**	34,324	**9,876**	12,506
Goodwill	**—**	—	**3,103**	3,231	**—**	—
Non-controlling interests	**(1,901)**	(1,673)	**—**	—	**—**	—
Carrying value	**59,732**	54,578	**46,913**	37,555	**9,876**	12,506

15. Investments in equity investees (Continued)

(iii) Reconciliation of summarized financial information (Continued)

The equity investees had the following operating lease commitments and capital commitments:

(a) The equity investees lease various factories and offices under non-cancellable operating lease agreements. Future aggregate minimum payments under non-cancellable operating leases as of the date indicated are as follows:

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Not later than one year	881	1,109
Later than one year and not later than five years	518	548
Total minimum lease payments	1,399	1,657

(b) Capital commitments

The equity investees had the following capital commitments:

	September 30, 2015	December 31, 2014
	US$'000	US$'000
Property, plant and equipment		
Contracted but not provided for	35,207	61,311

16. Accounts payable

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

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

17. Other payables, accruals and advance receipts

Other payables, accruals and advance receipts consisted of the following:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Research and development expenses	2,864	5,963
Accrued salaries and benefits	5,879	4,140
Accrued expenses	6,510	3,938
Other payables	2,602	1,802
Payments in advance from customers	675	564
Deferred government incentives	975	580
Current tax liabilities	269	122
Accrued interest	7	50
	19,781	17,159

18. Bank borrowings

Summarized below are the bank borrowings as of September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Non-current (note (i))	26,923	26,923
Current (note (ii))	19,872	26,282
	46,795	53,205

The weighted average interest rate for bank borrowings outstanding as of September 30, 2015 and December 31, 2014 was 1.39% and 1.60% respectively.

Notes:

(i) In December 2011, the Group, through its subsidiary, entered into a three-year term loan with a bank in the aggregate principal amount of HK$210,000,000 (US$26,923,000). The term loan bears interest at 1.5% over the Hong Kong Interbank Offered Rate ("HKIBOR") per annum.

In June 2014, the term loan was refinanced into a four-year term loan which bears interest at 1.35% over the HKIBOR per annum. Accordingly, the term loan is recorded as a long-term bank borrowing as at September 30, 2015 and December 31, 2014.

The term loan is unsecured and guaranteed by Hutchison Whampoa Limited, the Company's intermediate holding company and ultimate holding company as at September 30, 2015 and December 31, 2014. A fee is paid to Hutchison Whampoa Limited for the guarantee of the Company (see note 25).

(ii) As at September 30, 2015 and December 31, 2014 the Group, through its subsidiary has revolving loans of HK$155,000,000 (US$19,872,000) and HK$205,000,000 (US$26,282,000) which bears interest at 1.05% over HKIBOR per annum and is unsecured. The borrowing was classified as current borrowing as of September 30, 2015 and December 31, 2014.

18. Bank borrowings (Continued)

(iii) The carrying amount of all bank borrowings approximates their fair values. The fair value of bank borrowings was estimated using a discounted cash flows approach (an income approach) using market based observable inputs. Such fair value measurements are considered Level 2 under the fair value hierarchy.

(iv) The Group's bank borrowings are repayable as follows:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Within 1 year	19,872	26,282
Between 2 and 5 years	26,923	26,923
	46,795	53,205

(v) The carrying amounts of the Group's bank borrowings are denominated in HK$.

(vi) As at September 30, 2015 and December 31, 2014, the Group has unused credit facilities in relation to revolving loan facilities of US$10,128,000 and US$8,526,000 respectively.

19. Commitments and Contingencies

(a) Lease commitments

The Group leases various factories and offices under non-cancellable operating lease agreements. Future aggregate minimum payments under non-cancellable operating leases as of the date indicated are as follows:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Not later than one year	1,297	980
Later than one year and not later than five years	1,086	1,425
Later than five years	222	329
Total minimum lease payments	2,605	2,734

(b) Capital commitments

The Group had the following capital commitments:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Property, plant and equipment		
Contracted but not provided for	273	719

In addition, the Group has also undertaken to provide the necessary additional funds for NSPL to finance its ongoing operations.

20. Redeemable non-controlling interests

In November and December 2010, the Company and HMHL, entered into subscription and shareholders' agreements ("SSAs") with Mitsui & Co., Ltd. ("Mitsui") and SBCVC Fund III Company Limited ("SBCVC") (collectively, the "preferred shareholders"), whereby HMHL issued 7,390,029 redeemable convertible preferred shares ("Preferred Shares") for an aggregate consideration of US$20.1 million. The Preferred Shares on an as-if-converted basis represented approximately 19.76% of the aggregate issued and outstanding share capital of HMHL on the closing date.

In October 2012, the Company repurchased all 2,815,249 Preferred Shares from SBCVC. The remaining 4,574,780 Preferred Shares of US$12.5 million held by Mitsui represents approximately 12.24% of HMHL on a fully diluted basis.

In May and June 2014, the Company and HMHL further entered into two subscription agreements with Mitsui, whereby HMHL issued a total of 672,713 HMHL's Preferred Shares to Mitsui and 4,825,418 HMHL's ordinary shares to the Company for an aggregate consideration of US$25.0 million, after which Mitsui's interest in HMHL remained at 12.24% on a fully diluted basis.

On July 23, 2015, the Company entered into a subscription agreement (the "Agreement") with Mitsui under which the Company has issued 3,214,404 new ordinary shares of the Company ("Subscription Shares") valued at approximately US$84.0 million in exchange for the Preferred Shares held by Mitsui with carrying value of US$84.0 million (including accretion adjustment up to July 23, 2015). The transaction was completed on July 23, 2015 and as a result of this transaction, Mitsui held approximately 5.69% of the enlarged share capital of the Company. The outstanding balance of redeemable non-controlling interests was extinguished with the corresponding increase in the Company's shares and additional paid-in capital amounts.

Conversion

Pursuant to the SSAs signed in 2010, the preferred shareholders have the right to convert all of their preferred shareholdings into ordinary shares of HMHL at the initial conversion ratio of 1:1 at any time after the date of issuance of the preferred shares by issuing a notice to the Company. However, these preferred shares could be convertible into a higher conversion ratio of ordinary shares of HMHL when there is occurrence of a pre-defined adjustment event ("Adjustment Event").

In July 2012, Mitsui and SBCVC agreed for an extension of triggering of Adjustment Event. The Company assessed whether this amendment to the preferred shares was an extinguishment or a modification in accordance with its accounting policy. It was concluded that it was modification, rather than extinguishment, of preferred shares as the change in fair value of the preferred shares due to the amendment was less than 10%.

In March 2013, as a result of the satisfaction of the required condition, the conversion ratio of the preferred shares is no longer subject to change due to Adjustment Event.

Redemption

Preferred shareholders have the right to require the Company to redeem the preferred shares if HMHL fails to be listed after the company valuation of HMHL has reached above the specified threshold. The redemption price shall be based on such preferred shareholder's share of the actual valuation that would have been obtained in the event of occurrence of such pre-defined condition.

20. Redeemable non-controlling interests (Continued)

Liquidation

In the event of a winding-up of HMHL, any other return of capital (other than a redemption or purchases by HMHL of its own shares), or a trade sale, where the distribution proceeds are equal to or less than the post money valuation at preferred shares issuance, then such proceeds shall be distributed first to repay preferred shareholders up to the subscription price and any accrued and unpaid dividend before any surplus will be distributed to the holders of the ordinary shares. However, if the distribution proceeds are greater than the post money valuation at preferred shares issuance, distribution proceeds will be distributed equally and rateably among the preferred and ordinary shareholders.

Accounting for preferred shares

The preferred shares issued by HMHL are redeemable upon occurrence of an event that is not solely within the control of the issuer. Accordingly, the redeemable preferred shares issued by HMHL are recorded and accounted for as redeemable non-controlling interests outside of permanent equity in the Group's consolidated balance sheets. The Group recorded accretion when it is probable that the preferred shares will become redeemable. The accretion, which increases the carrying value of the redeemable non-controlling interests, is recorded against retained earnings, or in the absence of retained earnings, by recording against the additional paid-in capital. During the nine months ended September 30, 2015 and 2014, HMHL recorded an accretion of US$43,001,000 and US$15,126,000 respectively to the preferred shares based on such preferred shareholder's share of the estimated valuation of HMHL.

21. Ordinary share

The Company is authorized to issue 75,000,000 ordinary shares.

A summary of ordinary shares transactions (in thousands) is as follows:

	September 30, 2015	September 30, 2014
Balance as at January 1	53,076	52,051
Issuance of shares	3,214	—
Issuances in relation to exercise of options	224	845
Balance as at September 30	56,514	52,896

Each ordinary share is entitled to one vote. The holders of ordinary share are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors.

22. Share-based Compensation

(i) Share-based Compensation of the Company

The Company conditionally adopted a share option scheme (the "HCML Share Option Scheme") on June 4, 2005 which was amended on March 21, 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 share options to subscribe for shares of the Company.

22. Share-based Compensation (Continued)

(i) Share-based Compensation of the Company (Continued)

The aggregate number of shares issuable under the HCML Share Option Scheme is 2,560,606 ordinary shares. As of September 30, 2015, the number of shares authorized but unissued was 18,485,632 ordinary shares.

Share options granted are generally subject to a three-year or four-year vesting schedule, depending on the nature and the purpose of the grant, Share options subject to three-year vesting schedule, in general, vest 33.3% upon the first anniversary of the vesting commencement date as defined in the grant letter, and 33.3% every subsequent year; Share options subject to four-year vesting schedule, in general, vest 25% upon the first anniversary of the vesting commencement date as defined in the grant letter, and 25% every subsequent year. No outstanding share options will be exercisable or subject to vesting after the expiry of a maximum of ten years from the date of grant.

On December 17, 2014, 593,686 share options were cancelled with the consent of the relevant eligible employees in exchange for 1,187,372 new share options of a subsidiary in (see note (ii)). This was accounted for as the modification of the original share options granted which did not result in any incremental fair value to the Group.

As of September 30, 2015, no outstanding share options were held by non-employees.

	Number of options	Weighted-average Exercise Price in £ per share	Weighted-average remaining contractual life (years)	Aggregate intrinsic value (in £'000)
Outstanding at January 1, 2014	2,303,317	3.67		
Granted	—	—		
Exercised	(1,025,228)	1.59		
Cancelled	(593,686)	6.10		
Outstanding at December 31, 2014	684,403	4.67	6.79	6,423
Granted	—	—		
Exercised	(223,288)	3.72		
Cancelled	—	—		
Outstanding at September 30, 2015	461,115	5.13	6.74	5,925
Vested and expected to vest at December 31, 2014	569,931	4.39	6.38	5,506
Vested and exercisable at December 31, 2014	419,878	3.91	5.64	4,256
Vested and expected to vest at September 30, 2015	352,143	4.82	6.27	4,631
Vested and exercisable at September 30, 2015	234,090	4.18	5.29	3,229

The Company uses the Binomial model to estimate the fair value of share option awards using various assumptions that require management to apply judgment and make estimates, including:

Volatility

The Company calculated its expected volatility with reference to the historical volatility prior to the issuances of share options.

22. Share-based Compensation (Continued)

Risk-free Rate

The risk-free interest rates used in the Binomial model are with reference to the sovereign yield of the United Kingdom because the Company's shares are currently listed on AIM and denominated in pounds sterling (£).

Dividends

The Company has not declared or paid any dividends and does not currently expect to do so in the foreseeable future, and therefore uses an expected dividend yield of zero in the Binomial model.

In determining the fair value of share options granted, the following assumptions were used in the Binomial model for awards granted in the periods indicated:

	Effective date of grant of share options			
	September 11, 2006	May 18, 2007	June 24, 2011	December 20, 2013
Value of each share option	£ 0.553	£ 0.533	£ 1.841	£ 3.154
Significant inputs into the valuation model:				
Exercise price	£ 1.715	£ 1.535	£ 4.405	£ 6.100
Share price at effective date of grant	£ 1.7325	£ 1.5400	£ 4.3250	£ 6.1000
Expected volatility	38.8%	40.0%	46.6%	36.0%
Risk-free interest rate	4.766%	5.098%	3.130%	3.160%
Contractual life of share options	10 years	10 years	10 years	10 years
Expected dividend yield	0%	0%	0%	0%

The following table summarizes the Company's share option values:

	Nine Months Ended September 30,	
	2015	2014
	(in £'000, except per share data)	
Weighted-average grant-date fair value of option share granted during the period	—	—
Total intrinsic value of share options exercised	1,675	6,135
Total intrinsic value of share options exercised in US$'000	2,613	10,217

22. Share-based Compensation (Continued)

Share-based Compensation Expense

The Company recognizes compensation expense for only the portion of options expected to vest, on a graded vesting approach over the requisite service period. The following table presents share-based compensation expense included in the Group's condensed consolidated statements of operations:

	Nine Months Ended September 30,	
	2015	2014
	(in US$'000)	
Research and development expenses	56	363
Administrative expenses	14	195
	70	558

As of September 30, 2015, the total unrecognized compensation cost was $75,000, net of estimated forfeiture rate, and will be recognized on a graded vesting approach over the weighted-average remaining service period of 2.22 years.

Cash received from option exercises under the share option plan for the nine months ended September 30, 2015 and 2014 was approximately US$1,248,000 and US$1,556,000 respectively.

(ii) Share-based Compensation of a subsidiary

HMHL adopted a share option scheme on August 6, 2008 (as amended on April 15, 2011) and another share option scheme on December 17, 2014 (collectively the "HMHL Share Option Schemes"). Pursuant to the HMHL Share Option Schemes, any employee or director of HMHL and any of its holding company, subsidiaries and affiliates is eligible to participate in the HMHL Share Option Schemes subject to the discretion of the board of directors of HMHL.

The aggregate number of shares issuable under the HMHL Share Option Schemes is 9,622,414 ordinary shares. As of September 30, 2015, the number of shares authorized but unissued was 157,111,839 ordinary shares.

Share options granted are generally subject to a four-year vesting schedules, depending on the nature and the purpose of the grant, share options subject to four-year vesting schedule, in general, vest 25% upon the first anniversary of the vesting commencement date as defined in the grant letter, and 25% every subsequent year. No outstanding share options will be exercisable or subject to vesting after the expiry of a maximum of six or nine years from the date of grant.

On December 20, 2013, 2,485,189 share options were cancelled with the consent of the relevant eligible employees in exchange for new share options of HCML vesting over a period of four years and/or cash consideration payable over a period of four years. This was accounted for as the modification of the original share options which did not result in any incremental fair value to the Group for the options in exchange for new share options under HCML Share Option Scheme. For the share options in exchange for cash consideration, this was accounted for as a modification in classification that changed the award's classification from equity-settled to a liability.

A liability has been recognized on the modification date taking into account the requisite service period that has been provided by the employee at the modification date. As at September 30, 2015,

22. Share-based Compensation (Continued)

(ii) Share-based Compensation of a subsidiary (Continued)

US$0.8 million and US$1.1 million have been recognized in other non-current liabilities and other payables respectively. As at December 31, 2014, US$0.7 million and US$1.0 million were recognized in other non-current liabilities and other payables respectively.

A summary of the subsidiary's share option activity and related information follows:

	Number of options	Weighted-average Exercise Price in US$ per share	Weighted-average remaining contractual life (years)	Aggregate intrinsic value (in US$'000)
Outstanding at January 1, 2014	538,420	2.03		
Granted	1,187,372	7.82		
Exercised	(80,924)	1.50		
Lapsed	(393,212)	2.15		
Cancelled	(39,884)	1.70		
Outstanding at December 31, 2014	1,211,772	7.71	8.84	134
Granted	—	—		
Exercised	(24,400)	2.34		
Lapsed	—	—		
Cancelled	—	—		
Outstanding at September 30, 2015	1,187,372	7.82	8.22	11,046
Vested and expected to vest at December 31, 2014	769,714	7.75	8.88	54
Vested and exercisable at December 31, 2014	316,393	7.48	8.55	107
Vested and expected to vest at September 30, 2015	759,918	7.82	8.22	7,070
Vested and exercisable at September 30, 2015	296,843	7.82	8.22	2,762

The subsidiary uses the Binomial model to estimate the fair value of share option awards using various assumptions that require management to apply judgment and make estimates, including:

Volatility

The subsidiary calculated its expected volatility with reference to the historical volatility of the comparable companies for the past five to six years as of the valuation date.

Risk-free Rate

The risk-free interest rates used in the Binomial model are with reference to the sovereign yield of the United States.

Dividends

The subsidiary has not declared or paid any dividends and does not currently expect to do so in the foreseeable future, and therefore uses an expected dividend yield of zero in the Binomial model.

22. Share-based Compensation (Continued)

Dividends (Continued)

In determining the fair value of share options granted, the following weighted-average assumptions were used in the Binomial model for awards granted in the periods indicated:

	Effective date of grant of share options		
	August 2, 2010	**April 18, 2011**	**December 17, 2014**
Value of each share option	US$0.258	US$0.923	US$3.490
Significant inputs into the valuation model:			
Exercise price	US$2.240	US$2.360	US$7.820
Share price at effective date of grant	US$1.030	US$2.048	US$7.820
Expected volatility (note)	49.0%	55.0%	48.4%
Risk-free interest rate	2.007%	2.439%	1.660%
Contractual life of share options	6 years	6 years	9 years
Expected dividend yield	0%	0%	0%

The following table summarizes the subsidiary's share option values:

	Nine Months Ended September 30,	
	2015	**2014**
	(in US$'000, except per share data)	
Weighted-average fair value of option share granted during the period	—	—
Total intrinsic value of share options exercised	352	—

Share-based Compensation Expense

The subsidiary recognizes compensation expense for only the portion of options expected to vest, on a graded vesting approach over the requisite service period. The following table presents share-based compensation expense included in the Group's condensed consolidated statements of operations:

	Nine Months Ended September 30,	
	2015	**2014**
	(in US$'000)	
Research and development	323	211

As of September 30, 2015, the total unrecognized compensation cost was $442,000, net of estimated forfeiture rate and will be recognized on a graded vesting approach over the weighted-average remaining service period of 2.22 years.

Cash received from option exercises under the share option plan for the nine months ended September 30, 2015 and 2014 was US$57,000 and nil respectively.

23. Revenue from license and collaboration agreements—third parties

The Group recognized revenue from license and collaboration agreements—third parties of US$27.2 million and US$10.0 million for the nine months ended September 30, 2015 and 2014 respectively, which consisted of the following:

	Nine Months Ended September 30,	
	2015	2014
	(in US$'000)	
Milestone revenue	10,000	5,000
Amortisation of upfront payment	818	549
Research and development services	16,379	4,499
	27,197	10,048

These are mainly from 3 license and collaboration agreements as follows:

License and collaboration agreement with Eli Lilly

On October 8, 2013, the Group entered into a licensing, co-development and commercialization agreement in China with Eli Lilly ("Lilly") relating to fruquintinib, a targeted oncology therapy for the treatment of various types of solid tumors. In accordance with terms of the agreement, the Group will potentially receive a series of payments of up to US$86.5 million, including upfront payments and development and regulatory approval milestones. Should fruquintinib be successfully commercialized in China, the Group would receive tiered royalties based on certain percentage of net sales. Development costs after the first development milestone are shared between the Group and Lilly.

Following execution of the agreement, the Group received a non-refundable, up-front payment of US$6.5 million.

Supplemental to the main agreement, the Group also signed an option agreement which grants Lilly an exclusive option to expand the fruquintinib rights beyond Hong Kong and China. The option agreement further sets out certain milestone payments and royalty rates that apply in the event the option is exercised on a global basis. However, these are subject to further negotiation should the option be exercised on a specific territory basis as opposed to a global basis. The option was not considered to be a separate deliverable in the arrangement as it was considered to be substantive.

As at September 30, 2015, the option has not been exercised by Lilly.

The license rights to fruquintinib, delivered at the inception of the arrangement, did not have stand-alone value apart from the other deliverables in the arrangement which include the development services, the participation in the joint steering committee and the manufacturing of active pharmaceutical ingredients during the development phase. The non-refundable up-front payment was deferred and is being recognized rateably over the development period which has been estimated to end in 2018. The Group recognizes milestone revenue relating to the deliverables in the agreement as a single unit of accounting using the milestone method.

The Group recognized US$10.0 million milestone revenues in relation to this contract during the period ended September 30, 2015. The Group also recognized US$0.8 million and US$0.5 million as revenue from amortisation of the upfront payment during the periods ended September 30, 2015 and 2014

23. Revenue from license and collaboration agreements—third parties (Continued)

License and collaboration agreement with Eli Lilly (Continued)

respectively. In addition, the Group recognized US$13.6 million for the provision of research and development services for the period ended September 30, 2015.

License and collaboration agreement with AstraZeneca

On December 21, 2011, the Group and AstraZeneca ("AZ") entered into a global licensing, co-development, and commercialization agreement for Volitinib (name subsequently changed to 'savolitinib'), a novel targeted therapy and a highly selective inhibitor of the c-Met receptor tyrosine kinase for the treatment of cancer.

Under the terms of the agreement, development costs for savolitinib in China will be shared between the Group and AZ, with the Group continuing to lead the development in China. AZ will lead and pay for the development of savolitinib for the rest of the world. The Group received a non-refundable upfront payment of US$20.0 million upon the signing of the agreement and will receive up to US$120.0 million contingent upon the successful achievement of clinical development and first sale milestones. The agreement also contains possible significant future commercial sale milestones and up to double-digit percentage royalties on net sales. Following execution of the agreement, the Group received milestone payment of US$5.0 million in July 2013, and a further US$5.0 million in 2014.

The license right to develop savolitinib in the rest of the world was delivered to AZ at the inception of the arrangement. Such license had stand-alone value apart from the other deliverables in the arrangement which include the development of savolitinib in China and the participation in the joint steering committee. The non-refundable up-front payment was allocated to (a) the license to develop savolitinib in the rest of the world, which was recognized at inception and (b) the research and development services for which amount allocated has been deferred and is being recognized rateably over the development period which is expected to be end in 2021.

The Group recognizes milestone revenue relating to the deliverables, other than the license to develop and commercialise savolitinib in the rest of the world, in the agreement as a single unit of accounting using the milestone method. The Group did not recognize any milestone income for the period ended September 30, 2015 but US$5 million was recognized for the period ended September 30, 2014. In addition, the Group recognized US$2.8 million and US$4.5 million for the provision of research and development services for the periods ended September 30, 2015 and 2014 respectively.

License and collaboration agreement with Ortho-McNeil-Janssen

After the original research and development alliance agreement entered in December 2008, the Group modified the original arrangement and entered into a new research and development alliance agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc. ("Janssen") on June 2, 2010 for the discovery and development of novel small-molecule therapeutics against a target in the area of inflammation/ immunology. The original agreement signed in December 2008 was terminated and superseded by the new agreement.

Under the terms of the 2010 agreement, the Group will provide drug discovery activities in order to assess whether the selected compound meets certain criteria specified in the agreement. Upon selected compound meeting the specified criteria, Janssen has the option to elect to receive from the Group an exclusive worldwide license to develop and commercialize the compound. If Janssen opts not to do so, the

23. Revenue from license and collaboration agreements—third parties (Continued)

License and collaboration agreement with Ortho-McNeil-Janssen (Continued)

Group may choose to further pursue clinical development of drug compounds from the discovery programme through the demonstration of clinical proof-of-concept. Upon the success in achieving the clinical proof-of-concept, Janssen may again opt to take over further development and obtain the exclusive rights to develop and commercialize drug compounds from the Group's programme. The option did not have any significant value at inception of the arrangement.

The Group received from Janssen an up-front, non-refundable payment of US$3.0 million upon execution of the 2008 agreement, which was carried forward to cover discovery activities under the 2010 agreement.

The Group recognized the upfront payment of US$3.0 million over the drug discovery period under the initial agreement signed in 2008. Upon signing of the 2010 agreement, the portion of revenue that had not been recognized under the 2008 agreement was adjusted to be recognized over the remaining drug discovery period under the terms of the 2010 agreement to September 2012. The Group received US$1.0 million in 2011 following confirmation of selected compound meeting sustainable lead criteria and a further US$6.0 million in 2013 when the selected compound met development candidate criteria as specified in the agreement.

The Group did not recognize any milestone income for the period ended September 30, 2015 and 2014.

On August 13, 2015, the Group received a notice from Janssen to terminate the license and collaboration agreement between HMPL and Janssen dated June 2, 2010 for the discovery and development of novel small molecule therapeutics against a target in the area of inflammation/immunology. All licenses and other rights granted by the Group to Janssen shall terminate upon the termination date, which is 90 days after the notice of termination. The Group does not have any outstanding liabilities or obligations due to/from Janssen in relation to the termination of the agreement.

24. Government incentives

The Group receives government grants from the PRC Government (including the National level and Shanghai province). These grants are given in support of drug research and development activities and are conditional upon i) the Group spending a predetermined budget cost, regardless of success or failure of the research and development projects and ii) achievement of certain stages of research and development projects being approved by relevant PRC government authority. These government grants are subject to ongoing reporting and monitoring by the PRC Government over the period of the grant.

Government incentives which are deferred and recognized in the statement of operations over the period necessary to match them with the costs that they are intended to compensate are recognized in other payable, accruals and advance receipts (Note 17) and will be refundable to the PRC Government if the related research and development projects are suspended. During the nine months ended September 30, 2015 and 2014, the Group received government grants of US$1,192,000 and US$617,000 respectively.

The government grants recorded as a reduction to research and development expenses for the nine months ended September 30, 2015 and 2014 was US$360,000 and US$475,000 respectively.

25. Significant related party transactions

The Group has the following significant transactions during the period with related parties which were carried out in the normal course of business at terms determined and agreed by the relevant parties:

(a) Transactions with related parties:

	Nine Months Ended September 30,	
	2015	2014
	(in US$'000)	
Sales of goods to		
—Indirect subsidiaries of CK Hutchison	6,261	5,362
Income from provision of research and development services		
—Equity investees	3,851	3,470
Purchase of goods from		
—A non-controlling shareholder of a subsidiary	9,067	4,931
—Equity investees	4,284	1,645
	13,351	6,576
Providing consultancy services to		
—An equity investee	—	38
Rendering of marketing services from		
—Indirect subsidiaries of CK Hutchison	633	388
—An equity investee	3,863	—
	4,496	388
Rendering of management service from		
—An indirect subsidiary of CK Hutchison	633	742
Interest paid to		
—An immediate holding company	105	82
—A non-controlling shareholder of a subsidiary	63	—
	168	82
Guarantee fee on bank loan to		
—A subsidiary of CK Hutchison	352	352

25. Significant related party transactions (Continued)

(b) Balances with related parties included in:

	September 30, 2015	December 31, 2014
	(in US$'000)	
Accounts receivable from related parties:		
—Indirect subsidiaries of CK Hutchison (note (i))	1,291	1,922
—An equity investee (note (i))	941	262
	2,232	2,184
Accounts payable due to a related party:		
—A non-controlling shareholder of a subsidiary (note (i))	5,686	2,190
Amounts due from related parties:		
—A subsidiary of CK Hutchison (note (i))	109	107
—Equity investees (note (i) and (vi))	2,378	1,176
—Loan to an equity investee (note (ii))	7,000	5,000
	9,487	6,283
Amounts due to related parties:		
—Immediate holding company (note (iii))	10,257	8,694
—An indirect subsidiary of CK Hutchison (note (i))	20	22
—An equity investee (note (i))	1,926	—
	12,203	8,716
Non-controlling shareholders:		
—Loan from a non-controlling shareholder of a subsidiary (note (iv))	579	579
—Loan from a non-controlling shareholder of a subsidiary (note (v))	2,550	2,550
—Interest payable due to a non-controlling shareholder of a subsidiary	83	19
	3,212	3,148
Deferred income:		
—An equity investee (note (vi))	2,209	—

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) Loan to an equity investee is unsecured, interest-bearing (with waiver of interest).

(iii) Amount due to immediate holding company is unsecured, interest-bearing and repayable on demand. The carrying value of amount due to immediate holding company approximates its fair value due to its short-term maturities.

25. Significant related party transactions (Continued)

(iv) Loan from a non-controlling shareholder of a subsidiary is unsecured, interest-bearing (with waiver of interest) and is recorded in other non-current liabilities.

(v) Loan from a non-controlling shareholder of a subsidiary is unsecured, interest-bearing (with waiver of interest) and is recorded in other non-current liabilities. US$2,250,000 was repaid during the period ended September 30, 2014.

(vi) Deferred income represents amount recognized from granting of promotion and marketing rights. 50% of the amount is received during the period ended September 30, 2015 and the remaining 50% balance to be received is recorded in amounts due from related parties: equity investees.

26. Income Taxes

Income tax expense is based on the Group's estimate of the annual effective income tax rate expected for the full financial year. The estimated annual income tax rate used for the year ended December 31, 2014 is 14%. The estimated annual income tax rate used for the nine months ended September 30, 2015 is 14%.

Subsidiaries where ordinary losses are expected for the full financial year and where no benefits are expected to be recognized from those losses are excluded from the computation of the overall estimated annual effective income tax rate. A full valuation allowance against these tax losses resulted in a separate effective tax rate of nil.

Tax on undistributed earnings of equity investees, which give rise to deferred tax liabilities, was calculated on a separate estimated annual effective tax rate of 5%.

27. (Losses)/Earnings per Share

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the net (loss)/income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Periodic accretion to preferred shares of HMHL (note 20) is recorded as deductions to consolidated net income to arrive at net (loss)/income available to the Company's ordinary shareholders for purpose of calculating the consolidated basic (losses)/earnings per share.

	Nine Months Ended September 30,	
	2015	2014
Weighted average number of outstanding ordinary shares in issue	54,039,545	52,417,249
Net income/(loss) from continuing operations	6,790	(3,609)
Net income attributable to non-controlling interests	(2,156)	(1,707)
Accretion on redeemable non-controlling interest	(43,001)	(15,126)
Net loss for the period attributable to ordinary shareholders of the Company—Continuing operations (US$'000)	(38,367)	(20,442)
Income from discontinued operations, net of tax	—	1,750
Net income attributable to non-controlling interests	—	(875)
Net income for the period attributable to ordinary shareholders of the Company—Discontinued operations (US$'000)	—	875
	(38,367)	(19,567)
(Losses)/Earnings per share attributable to ordinary shareholders of the Company		
—Continuing operations (US$ per share)	(0.71)	(0.39)
—Discontinued operations (US$ per share)	—	0.02
	(0.71)	(0.37)

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is calculated by dividing net (loss)/income attributable to ordinary shareholders, by the weighted average number of ordinary and dilutive ordinary share equivalent outstanding during the period. Dilutive ordinary share equivalents include shares issuable upon the exercise or settlement of share-based awards issued by the Company and its subsidiaries using the treasury stock method and the ordinary shares issuable upon the conversion of the preferred shares issued by HMHL using the if-converted method. The computation of diluted (losses)/earnings per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect.

In determining the impact from share-based awards and convertible preferred shares issued by HMHL, the Company first calculates the diluted earnings per share at the HMHL and includes in the numerator of consolidated (losses)/earnings per share the amount based on the diluted (losses)/earnings per share of HMHL multiplied by the number of shares owned by the Company. If dilutive, the percentage

27. (Losses)/Earnings per Share (Continued)

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

of the Company's shareholding in HMHL was calculated by treating convertible preferred shares issued by HMHL as having been converted at the beginning of the period and share options as having been exercised during the period.

For purpose of calculating (losses)/earnings per share for discontinued operations, the same number of potential common shares used in computing the diluted per share amount for income from continuing operations was used in computing diluted per share amount for income from discontinued operations.

	Nine Months Ended September 30,	
	2015	2014
Diluted (losses)/earnings per share attributable to equity holders of the Company		
—Continuing operations (US$ per share)	(0.71)	(0.39)
—Discontinued operations (US$ per share)	—	0.02
	(0.71)	(0.37)

For the period ended September 30, 2015 and 2014, the preferred shares issued by HMHL and share options issued by the Company and HMHL were not included in the calculation of diluted loss per share of HMHL because of their anti-dilutive effect.

Diluted loss per share from continuing operations for the periods ended September 30, 2015 and 2014 was the same as the basic loss per share from continuing operations.

28. Segment reporting

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. Details of the operating segment are disclosed in Note 1. The performance of the reportable segments are assessed based on two measurements: (a) earnings or losses of subsidiaries before interest income, finance costs and tax expenses ("EBIT/(LBIT)") and (b) equity in earnings of equity investees, net of tax.

28. Segment reporting (Continued)

The segment information for the reportable segments is as follows:

Continuing operations

	For the nine months ended September 30, 2015						
	Innovation platform	Commercial platform					
	Drug R&D	Prescription Drugs	Consumer health		Reportable segment		
	PRC	PRC	PRC	Hong Kong	Total	Unallocated	Total
				(in US$'000)			
Revenue from external customers	32,913	74,573	2,204	12,231	121,921	—	121,921
EBIT/(LBIT)	(2,594)	553	(152)	812	(1,381)	(8,415)	(9,796)
Interest income	55	97	26	—	178	213	391
Equity in earnings of equity investees, net of tax	(2,958)	12,445	9,145	—	18,632	—	18,632
Operating profit/(loss)	(5,497)	13,095	9,019	812	17,429	(8,202)	9,227
Finance costs	—	—	—	63	63	994	1,057
Additions to non-current assets (other than financial instrument and deferred tax assets)	2,221	12	4	2	2,239	6	2,245
Depreciation/amortization	1,420	69	7	4	1,500	31	1,531
Income tax expense	—	197	—	101	298	1,082	1,380

	As at September 30, 2015						
	Innovation platform	Commercial platform					
	Drug R&D	Prescription Drugs	Consumer health		Reportable segment		
	PRC	PRC	PRC	Hong Kong	Total	Unallocated	Total
				(in US$'000)			
Total assets	45,695	91,021	66,005	10,222	212,943	7,960	220,903
Property, plant and equipment	7,882	55	30	6	7,973	46	8,019
Leasehold land	1,363	—	—	—	1,363	—	1,363
Goodwill	—	3,023	407	—	3,430	—	3,430
Intangible asset	—	593	—	—	593	—	593
Investments in equity investees	10,100	46,913	59,732	—	116,745	—	116,745

28. Segment reporting (Continued)

	For nine months ended September 30, 2014						
	Innovation platform	Commercial platform					
	Drug R&D	Prescription Drugs	Consumer Health		Reportable segment		
	PRC	PRC	PRC	Hong Kong	Total	Unallocated	Total
				(in US$'000)			
Revenue from external customers	16,170	31,379	1,966	8,739	58,254	—	58,254
EBIT/(LBIT)	(7,580)	97	(206)	512	(7,177)	(5,640)	(12,817)
Interest income	25	24	9	2	60	288	348
Equity in earning investees, net of tax	(8,729)	11,248	8,542	—	11,061	—	11,061
Operating profit/(loss)	(16,284)	11,369	8,345	514	3,944	(5,352)	(1,408)
Finance costs	—	10	77	—	87	1,043	1,130
Additions to non-current assets (other than financial instrument and deferred tax assets)	2,641	788	2	1	3,432	6	3,438
Depreciation/ amortization	794	40	4	6	844	31	875
Income tax expense	—	48	—	69	117	954	1,071

	As at December 31, 2014						
	Innovation platform	Commercial platform					
	Drug R&D	Prescription Drugs	Consumer Health		Reportable segment		
	PRC	PRC	PRC	Hong Kong	Total	Unallocated	Total
				(in US$'000)			
Total assets	43,061	68,650	70,731	7,050	189,492	21,342	210,834
Property, plant and equipment	7,305	62	36	8	7,411	71	7,482
Leasehold land	1,436	—	—	—	1,436	—	1,436
Goodwill	—	3,023	407	—	3,430	—	3,430
Intangible asset	—	666	—	—	666	—	666
Investments in equity investees	13,067	39,158	55,753	—	107,978	—	107,978

Segment information for discontinued operation has been disclosed in Note 5.

Revenue from external customers is after elimination of inter-segment sales. The amount eliminated attributable to (a) sales between Prescription Drugs and Consumer Health businesses with the PRC of US$134,000 and US$140,000 and (b) sales within Consumer Health business from Hong Kong to the PRC of US$2,874,000 and US$105,000 for the periods ended September 30, 2015 and 2014.

Sales between segments are carried out at mutually agreed terms.

There was a customer under Innovative Platform who accounted for 20% of the Group's revenue for the period ended September 30, 2015. There was no customer account for over 10% of the Group's revenue for the period ended September 30, 2014.

28. Segment reporting (Continued)

Unallocated expenses mainly represent corporate expenses which include corporate employee benefit expenses. Unallocated assets mainly comprise cash at banks.

A reconciliation of LBIT for reportable segments to net income from continuing operations is provided as follows:

	September 30, 2015	September 30, 2014
	(in US$'000)	
LBIT	(1,381)	(7,177)
Unallocated expenses	(8,415)	(5,640)
Interest income	391	348
Equity income from equity investees, net of tax	18,632	11,061
Finance costs	(1,057)	(1,130)
Income taxes	(1,380)	(1,071)
Net income from continuing operations	6,790	(3,609)

29. Litigation

From time to time, the Group may become involved in litigation relating to claims arising from the ordinary course of business. The Group believes that there are currently no claims or actions pending against the Group, the ultimate disposition of which could have a material adverse effect on the Group's results of operations, financial condition or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. When an unfavourable outcome occurs, there exists the possibility of a material adverse impact on the Group's financial position and results of operations for the periods in which the unfavourable outcome occurs, and potentially in future periods.

30. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Company's subsidiaries in China only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries in China are required to make certain appropriation of net after-tax profits or increase in net assets to the statutory surplus fund prior to payment of any dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each subsidiary. As a result of these and other restrictions under PRC laws and regulations, the Company's subsidiaries in China are restricted in their ability to transfer their net assets to the Group in terms of cash dividends, loans or advances, which restricted portion amounted to US$79,929,000 and US$79,441,000 as at September 30, 2015 and December 31, 2014 respectively. Even though the Group currently does not require any such dividends, loans or advances from the PRC subsidiaries, for working capital and other funding purposes, the Group may in the future require additional cash resources from the Company's subsidiaries in China due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends to make distributions to shareholders.

Further, the Group has certain investments in equity investees, of which the Group's equity in unremitted earnings amounted to US$68,216,000 and US$51,244,000 as at September 30, 2015 and December 31, 2014 respectively.

31. Additional information: condensed financial statements of the Company

Regulation S-X require condensed financial information as to financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

The Company's investments in its subsidiaries are accounted for under the equity method of accounting. Such investment is presented on separate condensed balance sheets of the Company as "Investments in subsidiaries" and the Company's shares of the profit or loss of subsidiaries are presented as "Equity in earnings of subsidiaries" in the statements of operations. Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this condensed financial information of parent company, the Company has continued to reflect its share, based on its proportionate interest, of the losses of a subsidiary regardless of the carrying value of the investment even though the Company is not legally obligated to provide continuing support or fund losses.

The Company's subsidiaries did not pay any dividends to the Company for the periods presented except for Hutchison Chinese Medicine (Shanghai) Investment Limited which declared dividends of US$2,949,000 during the period ended September 30, 2015 and Hutchison Chinese Medicine Holdings Limited which declared dividends of US$1,282,000 during the period ended September 30, 2014. These dividends were settled by off-setting against amounts due to the same subsidiaries.

Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures represent supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Group.

31. Additional information: condensed financial statements of the Company (Continued)

Condensed Balance Sheets
(in US$'000)

	September 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	1	1
Prepayments	1	1
Amounts due from related parties	76	76
Total current assets	78	78
Non-current asset:		
Investments in subsidiaries	91,246	90,004
Total assets	91,324	90,082
Liabilities and shareholders' equity		
Current liabilities		
Other payables and accruals	3,054	599
Amounts due to subsidiaries	5,796	9,055
Amounts due to immediate holding company	309	241
Total liabilities	9,159	9,895
Redeemable non-controlling interests	—	41,036
Company's shareholders' equity		
Ordinary share; $1.00 par value; 75,000,000 shares authorized; 56,514,368 and 53,076,676 shares issued at September 30, 2015 and December 31, 2014	56,514	53,076
Other shareholders' equity	25,651	(13,925)
Total Company's shareholders' equity	82,165	39,151
Total liabilities and shareholders' equity	91,324	90,082

Condensed Statements of Operations
(Unaudited, in US$'000, except share and per share data)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating expenses		
Administrative	(3,517)	(1,045)
Other expense		
Interest expense	(3)	(2)
Equity in earnings of subsidiaries, net of tax	8,154	(3,394)
Net income/(loss)	4,634	(4,441)

31. Additional information: condensed financial statements of the Company (Continued)

Condensed Statements of Cash Flows
(Unaudited, in US$'000)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating activities		
Net income/(loss)	4,634	(4,441)
Adjustments to reconcile net income to net cash used in operating activities		
Equity in earnings of subsidiaries, net of tax	(8,154)	3,394
Loss on dilution of interest in a subsidiary	3	—
Changes in operating assets and liabilities		
Prepayments	—	(1)
Amounts due to subsidiaries	994	862
Other payables and accruals	2,455	112
Amounts due to immediate holding company	68	74
Net cash from operating activities and net increase in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	1	1
Cash and cash equivalents at end of period	1	1

32. Subsequent events

The Group evaluated subsequent events through November 13, 2015

(a) On October 19, 2015, the Company granted conditional awards (the "LTIP Awards") under the Long Term Incentive Plan (the "LTIP"). The LTIP Awards grant participating directors or employees a conditional right to receive ordinary shares in the Company (the "Ordinary Shares"), to be purchased by an independent third party trustee (the "Trustee") up to a maximum cash amount. The cash amount is dependent upon the achievement of annual performance targets for each financial year of the Company stipulated in the LTIP Awards.

The Ordinary Shares, to be purchased by the Trustee following determination of the cash amount based on actual achievement of each annual performance target, will then be held by the Trustee until the requisite period is met. The initial LTIP Awards will cover performance in relation to three financial years from 2014 to 2016 (the "LTIP Period").

The maximum cash amount per annum for the LTIP Period stipulated in the LTIP Awards is approximately US$1.8 million.

(b) In accordance with the licence and collaboration agreement with Eli Lilly, on October 23, 2015, Hutchison MediPharma Limited ("HMP"), a subsidiary of the Company under the Innovation Platform, met the criterion to receive a US$10 million milestone payment. The milestone payment was triggered by the positive proof-of-concept ("POC") Phase II study of fruquintinib in the treatment of patients with advanced non-squamous non-small cell lung cancer ("NSCLC") in China. The payment is expected to be received in the fourth quarter of 2015.

Pursuant to the license and collaboration agreement, HMP will also receive reimbursements for costs associated with Phase III study of fruquintinib in non-squamous NSCLC in China according to a pre-specified cost-sharing rate.

Shanghai Hutchison Pharmaceuticals Limited
Condensed Consolidated Income Statement
For the nine months ended September 30, 2015 and September 30, 2014

	Note	Nine months ended September 30, 2015	Nine months ended September 30, 2014
		US$'000 (unaudited)	US$'000 (unaudited)
Revenue		139,340	123,262
Cost of sales		(40,023)	(35,472)
Gross profit		99,317	87,790
Selling expenses		(61,913)	(54,107)
Administrative expenses		(8,070)	(7,202)
Other net operating income	5	356	228
Operating profit	6	29,690	26,709
Finance costs		—	—
Profit before taxation		29,690	26,709
Taxation charge	7	(4,799)	(4,214)
Profit for the period		24,891	22,495

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Condensed Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2015 and September 30, 2014

	Nine months ended September 30,	
	2015	**2014**
	(US$'000)	**(US$'000)**
	(unaudited)	
Profit for the period	24,891	22,495
Other comprehensive loss that has been or may be reclassified subsequently to profit or loss:		
Exchange translation differences	(2,767)	(1,247)
Total comprehensive income for the period (net of tax)	22,124	21,248

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Condensed Consolidated Statement of Financial Position
As at September 30, 2015 and December 31, 2014

	Note	September 30, 2015	December 31, 2014
		(US$'000) (unaudited)	(US$'000)
ASSETS			
Non-current assets			
Property, plant and equipment	8	82,230	52,954
Leasehold land		11,406	11,989
Other intangible asset		2,172	—
Deferred tax assets		3,622	2,788
		99,430	67,731
Current assets			
Inventories	9	40,135	35,136
Trade and bills receivables	10	25,226	18,938
Other receivables, prepayments and deposits		2,698	2,495
Cash and cash equivalents		16,145	16,575
Bank deposits maturing over three months		4,736	2,299
		88,940	75,443
Total assets		188,370	143,174
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	33,382	33,382
Reserves		54,238	38,524
Total equity		87,620	71,906
LIABILITIES			
Current liabilities			
Trade payables	12	7,910	9,937
Other payables, accruals and advance receipts	13	49,605	33,031
Bank borrowings	14	12,687	7,476
Current tax liabilities		1,569	1,608
		71,771	52,052
Non-current liabilities			
Deferred income		4,351	4,703
Bank borrowings	14	24,628	14,513
		28,979	19,216
Total liabilities		100,750	71,268
Net current assets		17,169	23,391
Total assets less current liabilities		116,599	91,122
Total equity and liabilities		188,370	143,174

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Condensed Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2014

	Share capital	Exchange reserve	General reserve	Retained earnings	Total equity
	(US$'000)	(US$'000)	(US$'000) (unaudited)	(US$'000)	(US$'000)
As at January 1, 2014	33,382	7,676	910	24,508	66,476
Profit for the period	—	—	—	22,495	22,495
Other comprehensive loss that has been or may be reclassified subsequently to profit or loss:					
Exchange translation differences	—	(1,247)	—	—	(1,247)
Total comprehensive (loss)/income for the period (net of tax)	—	(1,247)	—	22,495	21,248
Transfer between reserves	—	—	15	(15)	—
Dividend paid	—	—	—	(19,077)	(19,077)
As at September 30, 2014	33,382	6,429	925	27,911	68,647

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Condensed Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2015

	Share capital (US$'000)	Exchange reserve (US$'000)	General reserve (US$'000) (unaudited)	Retained earnings (US$'000)	Total equity (US$'000)
As at January 1, 2015	33,382	5,781	925	31,818	71,906
Profit for the period	—	—	—	24,891	24,891
Other comprehensive loss that has been or may be reclassified subsequently to profit or loss:					
Exchange translation differences	—	(2,767)	—	—	(2,767)
Total comprehensive (loss)/income for the period (net of tax)	—	(2,767)	—	24,891	22,124
Dividend paid	—	—	—	(6,410)	(6,410)
As at September 30, 2015	33,382	3,014	925	50,299	87,620

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Condensed Consolidated Statement of Cash Flows
For the nine months ended September 30, 2015 and September 30, 2014

	Note	Nine months ended September 30, 2015	Nine months ended September 30, 2014
		(US$,000)	(US$,000)
		(unaudited)	
Cash flows from operating activities			
Net cash generated from operations	15	32,627	20,490
Interest received		186	196
Income tax paid		(5,732)	(5,478)
Net cash generated from operating activities		27,081	15,208
Cash flows from investing activities			
Purchase of property, plant and equipment		(31,999)	(24,193)
Government grants received relating to property, plant and equipment		—	11
Proceeds from disposal of property, plant and equipment		—	5
Increase in bank deposits maturing over three months		(2,437)	(2,310)
Net cash used in investing activities		(34,436)	(26,487)
Cash flows from financing activities			
Interest expense paid		(1,458)	(354)
Dividend paid to shareholders		(6,410)	(19,077)
New short-term bank borrowing		5,211	3,126
New long-term bank borrowing		10,115	14,443
Net cash generated from/(used in) financing activities		7,458	(1,862)
Net increase/(decrease) in cash and cash equivalents		103	(13,141)
Cash and cash equivalents at beginning of the period		16,575	30,331
Exchange differences		(533)	(532)
Cash and cash equivalents at end of the period		16,145	16,658
Analysis of cash and bank balances			
—Cash and cash equivalents		16,145	16,658
—Bank deposits maturing over three months		4,736	2,310
		20,881	18,968

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Notes To Unaudited Condensed Consolidated Accounts

1. General information

Shanghai Hutchison Pharmaceuticals Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in manufacturing and selling of prescription drugs products. The Group has manufacturing plants in Shanghai in the People's Republic of China (the "PRC") and sells mainly in the PRC.

The Company was incorporated in the PRC on April 30, 2001 as a Chinese-Foreign Equity joint ventures and the approved period is 50 years. The Company is jointly controlled by Shanghai Hutchison Chinese Medicine (HK) Investment Limited ("SHCM(HK)IL") and Shanghai Traditional Chinese Medicine Co., Ltd. ("SHTCML").

Items included in the accounts 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 its subsidiaries is Renminbi ("RMB"), whereas the consolidated accounts are presented in United States dollars ("US dollars").

These unaudited condensed interim accounts are presented in thousands of United States dollars ("US$'000") unless otherwise stated.

2. Summary of significant accounting policies

(a) Basis of preparation

The Company has a financial year end date of December 31. These unaudited condensed interim accounts for the nine months ended September 30, 2014 and September 30, 2015 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any periods are not necessarily indicative of the results of operations for the full year or any other periods. These condensed interim accounts should be read in conjunction with the annual accounts of the Group for the year ended December 31, 2014 (the "2014 annual accounts"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

(b) Significant accounting policies

The unaudited condensed interim accounts have been prepared under the historical cost convention.

The accounting policies used in the preparation of these condensed interim accounts are consistent with those used in the 2014 annual accounts, except for the adoption of the amendments and interpretations issued by the IASB that are the mandatory for annual periods beginning January 1, 2015.

The effect of the adoption of these amendments and interpretations was not material to the Group's results and financial position.

Taxes on income in the nine months periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. Financial risk management and accounting estimates

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. There have been no changes in any risk management policies since last year end.

The preparation of interim accounts required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. In preparing these interim accounts, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2014 annual accounts.

4. Segment information

The Group has one reporting segment which is manufacturing and selling of prescription drugs products. All segment assets are located in the PRC. The Group's chief operating decision-maker reviews the consolidated results of the Group for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment and geographical information has been presented.

5. Other net operating income

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Interest income	186	196
Net foreign exchange losses	—	(10)
Other operating income	170	42
	356	228

6. Operating profit

Operating profit is stated after charging the following:

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Amortisation of leasehold land	204	207
Amortisation of promotion and marketing rights	159	—
Provision for inventories	1,704	1,126
Cost of inventories recognised as expense	27,652	24,320
Depreciation on property, plant and equipment	1,746	1,822
Loss on disposal of property, plant and equipment	—	13
Employee benefit expenses	33,808	30,092
Operating lease rentals in respect of land and buildings	484	436
Research and development expenses	916	590

Note:

Provision for inventories amounted to US$1,704,000 (September 30, 2014: US$1,126,000) mainly related to obsolete or damaged inventories.

7. Taxation charge

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Current tax	5,744	4,155
Deferred income tax	(945)	59
Taxation charge	4,799	4,214

The Company has been granted High and New Technology Enterprise status. Accordingly, the Company is subjected to a preferential income tax rate of 15% up to 2016 (September 30, 2014: 15%) and is renewable subject to approval by the relevant tax authorities.

8. Property, plant and equipment

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Net book value as at January 1	52,954	20,413
Additions	33,457	24,547
Disposal	—	(18)
Depreciation for the period	(1,746)	(1,822)
Exchange differences	(2,435)	(220)
Net book value as at September 30	82,230	42,900

During the period ended September 30, 2015, the finance cost of US$1,458,000 (September 30, 2014: US$354,000) of bank borrowing was capitalised.

9. Inventories

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Raw materials	19,784	18,188
Work in progress	8,931	8,540
Finished good	11,420	8,408
	40,135	35,136

10. Trade and bills receivables

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Trade receivables from third parties	15,066	8,661
Trade receivables from related parties (Note 17(b))	4,158	1,844
Bills receivables	6,002	8,433
	25,226	18,938

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

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

11. Share capital

Registered and fully paid share capital

	Nominal amount
	(US$'000)
Registered and fully paid:	
As at January 1, 2014, September 30, 2014, January 1, 2015 and September 30, 2015	33,382

12. Trade payables

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Trade payables from third parties	5,197	4,652
Trade payables from a related party (Note 17(b))	2,713	5,285
	7,910	9,937

All the trade payables are denominated in RMB 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.

13. Other payables, accruals and advanced receipts

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Other payables and accruals		
Accrued operating expenses	24,665	15,047
Accrued salaries	7,224	7,177
Other payables	17,541	10,008
	49,430	32,232
Advanced receipts		
Payments in advance from customers	175	799
	49,605	33,031

14. Bank borrowings

The long-term and short-term bank borrowings are unsecured, interest-bearing, denominated in RMB and the carrying amount of the bank borrowings approximates their fair values.

The finance costs incurred in the course of drawdown of bank borrowings directly for the acquisition of fixed assets.

15. Notes to condensed consolidated statement of cash flows

Reconciliation of profit for the period to net cash generated from operations:

	Nine months ended September 30, 2015 (US$'000)	Nine months ended September 30, 2014 (US$'000)
Profit for the period	24,891	22,495
Adjustments for:		
Taxation charge	4,799	4,214
Amortisation of promotion and marketing rights	159	—
Amortisation of leasehold land	204	207
Provision for inventories	1,704	1,126
Depreciation of property, plant and equipment	1,746	1,822
Loss on disposal of property, plant and equipment	—	13
Interest income	(186)	(196)
Exchange differences	713	(292)
Operating profit before working capital changes	34,030	29,389
Changes in working capital:		
—increase in inventories	(6,703)	(4,666)
—increase in trade and bills receivables	(6,288)	(6,647)
—increase in other receivables, prepayments and deposits	(203)	(1,379)
—(decrease)/increase in trade payables	(2,027)	298
—increase in other payables, accruals and advance receipts	15,372	3,640
—increase in deferred income	(352)	(145)
—addition of promotion and marketing rights	(1,202)	—
Net cash generated from operations	32,627	20,490

16. Commitments

(a) Capital commitments

The Group had the following capital commitments:

	September 30, 2015 (US$'000)	December 31, 2014 (US$'000)
Property, plant and equipment		
Contracted but not provided for	13,952	30,897

Capital commitment for property, plant and equipment contracted is mainly for the construction in progress of new plant of the Company.

16. Commitments (Continued)

(b) Operating lease commitments

The Group leases various factories and offices under non-cancellable operating lease agreements. The future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Not later than one year	399	410
Later than one year and not later than five years	481	340
	880	750

17. Significant related party transactions

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

(a) Transactions with related parties:

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
	(US$'000)	(US$'000)
Sales of goods to		
—A fellow subsidiary of SHTCML	10,664	11,447
—A fellow subsidiary of SHCM(HK)IL	3,570	1,625
	14,234	13,072
Purchase of goods from		
—A fellow subsidiary of SHTCML	7,369	9,147
Rendering of marketing services from		
—A fellow subsidiary of SHTCML	250	229
Rendering of research and development services from		
—A fellow subsidiary of SHCM(HK)IL	202	61
Rendering of consultancy services from		
—Fellow subsidiaries of SHCM(HK)IL	—	38
Provision of marketing services to		
—A fellow subsidiary of SHCM(HK)IL	3,863	—

No transactions have been entered into with the directors of the Company (being the key management personnel) during the periods ended September 30, 2014 and 2015.

17. Significant related party transactions (Continued)

(b) Balances with related parties included in:

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Trade receivables from related parties		
—A fellow subsidiary of SHCM(HK)IL (Note 10)(note)	1,926	—
—A fellow subsidiary of SHTCML (Note 10)(note)	2,232	1,844
	4,158	1,844
Trade payable due to a related party:		
—A fellow subsidiary of SHTCML (Note 12)(note)	2,713	5,285
Amounts due to related parties:		
—SHTCML (note)	—	137
—Fellow subsidiaries of SHCM(HK)IL (note)	1,872	641
	1,872	778

Note:

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.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Condensed Consolidated Income Statement
For the nine months ended September 30, 2015 and September 30, 2014

	Note	Nine months ended September 30, 2015 (US$'000) (unaudited)	Nine months ended September 30, 2014 (US$'000) (unaudited)
Revenue	4	164,852	185,722
Cost of sales		(92,742)	(113,026)
Gross profit		72,110	72,696
Selling expenses		(32,528)	(35,162)
Administrative expenses		(19,670)	(18,186)
Other net operating income	5	2,270	1,267
Operating profit	6	22,182	20,615
Share of profits less losses after tax of:			
Joint venture		(12)	—
Associated companies		4	(34)
Finance costs	7	(108)	(165)
Profit before taxation		22,066	20,416
Taxation charge	8	(3,704)	(3,333)
Profit for the period		18,362	17,083
Attributable to:			
Equity holders of the Company		18,290	17,085
Non-controlling interests		72	(2)
		18,362	17,083

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Condensed Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2015 and September 30, 2014

	Nine months ended September 30,	
	2015	**2014**
	(US$'000)	**(US$'000)**
	(unaudited)	
Profit for the period	18,362	17,083
Other comprehensive loss that has been or may be reclassified subsequently to profit or loss:		
Exchange translation differences	(4,039)	(1,748)
Total comprehensive income for the period (net of tax)	14,323	15,335
Attributable to:		
Equity holders of the Company	14,370	15,389
Non-controlling interests	(47)	(54)
Total comprehensive income for the period (net of tax)	14,323	15,335

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Condensed Consolidated Statement of Financial Position
As at September 30, 2015 and December 31, 2014

	Note	September 30, 2015	December 31, 2014
		(US$'000) (unaudited)	(US$'000)
ASSETS			
Non-current assets			
Property, plant and equipment	9	49,229	35,195
Leasehold land		11,200	11,772
Goodwill	10	9,085	9,385
Other intangible asset		744	865
Investment in a joint venture		160	178
Investments in associated companies		220	222
Other non-current assets		14,244	14,733
Deferred tax assets		720	1,034
		85,602	73,384
Current assets			
Inventories	11	44,507	43,570
Trade and bills receivables	12	40,781	43,102
Other receivables, prepayments and deposits		5,187	5,278
Cash and cash equivalents		38,219	31,004
Bank deposits maturing over three months		3,101	20,833
		131,795	143,787
Total assets		217,397	217,171
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	24,103	24,103
Reserves		95,363	87,403
		119,466	111,506
Non-controlling interests		3,801	3,802
Total equity		123,267	115,308
LIABILITIES			
Current liabilities			
Trade payables	14	24,275	29,868
Other payables, accruals and advance receipts	15	52,552	53,068
Bank borrowing	16	931	625
Current tax liabilities		337	1,289
		78,095	84,850
Non-current liabilities			
Deferred income	17	15,663	16,585
Deferred tax liabilities		372	428
		16,035	17,013
Total liabilities		94,130	101,863
Net current assets		53,700	58,937
Total assets less current liabilities		139,302	132,321
Total equity and liabilities		217,397	217,171

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Condensed Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2015 and September 30, 2014

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Exchange reserve	General reserve	Retained earnings	Total		
	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$'000)
				(unaudited)			
As at January 1, 2014	24,103	15,159	131	67,193	106,586	3,400	109,986
Profit for the period	—	—	—	17,085	17,085	(2)	17,083
Other comprehensive loss that has been or may be reclassified subsequently to profit or loss:							
Exchange translation differences	—	(1,696)	—	—	(1,696)	(52)	(1,748)
Total comprehensive (loss)/ income for the period (net of tax)	—	(1,696)	—	17,085	15,389	(54)	15,335
Dividend paid	—	—	—	(12,820)	(12,820)	—	(12,820)
As at September 30, 2014	24,103	13,463	131	71,458	109,155	3,346	112,501

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Exchange reserve	General reserve	Retained earnings	Total		
	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$'000)
				(unaudited)			
As at January 1, 2015	24,103	12,592	131	74,680	111,506	3,802	115,308
Profit for the period	—	—	—	18,290	18,290	72	18,362
Other comprehensive loss that has been or may be reclassified subsequently to profit or loss:							
Exchange translation differences	—	(3,920)	—	—	(3,920)	(119)	(4,039)
Total comprehensive (loss)/ income for the period (net of tax)	—	(3,920)	—	18,290	14,370	(47)	14,323
Dividend paid	—	—	—	(6,410)	(6,410)	—	(6,410)
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	46	46
As at September 30, 2015	24,103	8,672	131	86,560	119,466	3,801	123,267

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Condensed Statement of Cash Flows
For the nine months ended September 30, 2015 and September 30, 2014

	Note	Nine months ended September 30, 2015 (US$'000) (unaudited)	Nine months ended September 30, 2014 (US$'000) (unaudited)
Cash flows from operating activities			
Net cash generated from operations	18	18,309	25,235
Interest received		605	1,093
Finance costs paid		(17)	(25)
Income tax paid		(4,392)	(3,141)
Net cash generated from operating activities		14,505	23,162
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,796)	(4,582)
Purchase of leasehold land		—	(6,466)
Decrease/(increase) in bank deposits maturing over three months		17,732	(2,969)
Increase in government grant		94	11,551
Net cash generated from/(used in) investing activities		30	(2,466)
Cash flows from financing activities			
Dividend paid		(6,410)	(12,820)
New short-term bank borrowing		931	630
Repaid of the bank borrowing		(625)	—
Capital contribution from a non-controlling shareholder of a subsidiary		46	—
Net cash used in financing activities		(6,058)	(11,798)
Net increase in cash and cash equivalents		8,477	8,898
Cash and cash equivalents at beginning of the period		31,004	31,895
Exchange differences		(1,262)	(452)
Cash and cash equivalents at end of the period		38,219	40,341
Analysis of cash and bank balances			
—Cash and cash equivalent		38,219	40,341
—Bank deposits maturing over three months		3,101	22,661
		41,320	63,002

The accompanying notes are an integral part of these condensed consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Notes To Unaudited Condensed Consolidated Accounts

1. General information

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in manufacturing and selling of over-the-counter drugs products. The Group has manufacturing plants in Guangzhou in the People's Republic of China (the "PRC") and sells mainly in the PRC.

The Company was incorporated in the PRC on April 12, 2005 as a Chinese-Foreign Equity joint ventures and the approved operation period is 50 years. The Company is jointly controlled by Guangzhou Hutchison Chinese Medicine (HK) Investment Limited ("GZHCMHK") and Guangzhou Baiyunshan Pharmaceuticals Co., Ltd. ("GBP").

Items included in the accounts 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 its subsidiaries, joint venture and associated companies is Renminbi ("RMB"), whereas the consolidated accounts are presented in United States dollars ("US dollars").

These unaudited condensed interim accounts are presented in thousands of United States dollars ("US$'000"), unless otherwise stated.

2. Summary of significant accounting policies

(a) Basis of preparation

The Company has a financial year end date of December 31. These unaudited condensed interim accounts for the nine months ended September 30, 2014 and September 30, 2015 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any periods are not necessarily indicative of the results of operations for the full year or any other interim periods. These condensed interim accounts should be read in conjunction with the annual accounts of the Group for the year ended December 31, 2014 (the "2014 annual accounts"), which have been prepared in accordance with International Financial Reporting Standards issued by IASB.

(b) Significant accounting policies

The unaudited condensed interim accounts have been prepared under the historical cost convention.

The accounting policies used in the preparation of these condensed interim accounts are consistent with those used in the 2014 annual accounts, except for the adoption of the amendments and interpretations issued by the IASB that are mandatory for annual periods beginning January 1, 2015.

The effect of the adoption of these amendments and interpretations was not material to the Group's results and financial position.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. Financial risk management and accounting estimates

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. There have been no changes in any risk management policies since last year end.

3. Financial risk management and accounting estimates (Continued)

The preparation of interim accounts required management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. In preparing these interim accounts, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2014 annual accounts.

4. Revenue and segment information

The Group is principally engaged in manufacturing and selling of over-the-counter drugs products.

The management has reviewed the Group's internal reporting in order to assess performance and allocate resources, and has determined that the Group has two reportable operating segments as follows:

—Manufacturing and sales of the drugs products.

—Wholesales of the drugs products and related materials not produced by the Group.

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 share of profits less losses after tax of joint ventures and associated companies, interest income, finance costs and tax expenses ("EBIT").

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

	For the period ended September 30, 2015		
	Manufacturing and sales of the drugs products	Wholesale of the drugs products and related materials not produced by the Group	Reportable segment
	PRC	PRC	Total
	(US$'000)	(US$'000)	(US$'000)
Revenue from external customers	111,766	53,086	164,852
EBIT	20,745	832	21,577
Interest income	502	103	605
Operating profit	21,247	935	22,182
Share of profits less losses after tax of joint venture and associated companies	(8)	—	(8)
Finance costs	(108)	—	(108)
Additions to non-current assets (other than financial instrument and deferred tax assets)	17,796	—	17,796
Depreciation/amortisation	2,520	37	2,557

	As at September 30, 2015		
	Manufacturing and sales of the drugs products	Wholesale of the drugs products and related materials not produced by the Group	Reportable segment
	PRC	PRC	Total
	(US$'000)	(US$'000)	(US$'000)
Total assets	179,130	38,267	217,397

4. Revenue and segment information (Continued)

	For the period ended September 30, 2014		
	Manufacturing and sales of the drugs products	Wholesale of the drugs products and related materials not produced by the Group	Reportable segment
	PRC	PRC	Total
	(US$'000)	(US$'000)	(US$'000)
Revenue from external customers	128,806	56,916	185,722
EBIT	19,119	403	19,522
Interest income	1,033	60	1,093
Operating profit	20,152	463	20,615
Share of profits less losses after tax of joint venture and associated companies	(34)	—	(34)
Finance costs	(165)	—	(165)
Additions to non-current assets (other than financial instrument and deferred tax assets)	11,048	—	11,048
Depreciation/amortisation	2,306	49	2,355

	As at December 31, 2014		
	Manufacturing and sales of the drugs products	Wholesale of the drugs products and related materials not produced by the Group	Reportable segment
	PRC	PRC	Total
	(US$'000)	(US$'000)	(US$'000)
Total assets	178,864	38,307	217,171

Revenue from external customers is after elimination of inter-segment sales. The amount eliminated was US$25,539,000 (September 30, 2014: US$42,258,000).

Sales between segments are carried out at mutually agreed terms.

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

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
EBIT for reportable segment	21,577	19,522
Interest income	605	1,093
Share of profits less losses after tax of a joint venture and associated companies	(8)	(34)
Finance costs	(108)	(165)
Profit before taxation	22,066	20,416

5. Other net operating income

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Interest income	605	1,093
Other operating income	1,665	174
	2,270	1,267

6. Operating profit

Operating profit is stated after charging the following:

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Amortisation of leasehold land	199	183
Amortisation of intangible asset	95	96
Cost of inventories recognised as expense	86,209	106,780
Depreciation on property, plant and equipment	2,263	2,076
Employee benefit expenses	25,171	24,868
Operating lease rentals in respect of land and buildings	705	518
Research and development expenses	506	565

7. Finance costs

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Interest expense on short-term bank borrowing	17	25
Interest expense on other payable due to an affiliate company of GBP	91	140
	108	165

8. Taxation charge

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Current taxation	3,461	3,376
Deferred taxation	243	(43)
Taxation charge	3,704	3,333

8. Taxation charge (Continued)

The Company has been granted High and New Technology Enterprise Status. Accordingly, the Company is subjected to a preferential income tax rate of 15% up to 2016 (September 30, 2014: 15%) and is renewable subject to the approval by the relevant tax authorities.

9. Property, plant and equipment

	Nine months ended September 30,	
	2015	**2014**
	(US$'000)	**(US$'000)**
Net book value as at 1 January	35,195	27,436
Additions	17,796	5,161
Disposal	(3)	(245)
Depreciation for the period	(2,263)	(2,076)
Exchange differences	(1,496)	(421)
Net book value as at 30 September	49,229	29,855

The net book value of buildings pledged as security for the short-term bank borrowing amounted to US$279,000 (December 31, 2014: US$316,000) (Note 16).

10. Goodwill

The Company was set up with cash and non-cash assets (which constitutes a business) contributed by GZHCMHK and GBP respectively. Upon formation, the Company accounted for the businesses contributed by Guangzhou Baiyunshan Pharmaceuticals Co., Ltd using acquisition method at fair value and Goodwill of approximately US$9,193,000 was recognised. The Goodwill is attributable to manufacturing and sales of the drugs products segment and is attributable to the anticipated profitability of the distribution of the Company's products in the market and the anticipated future operating synergies.

11. Inventories

	September 30, 2015	**December 31, 2014**
	(US$'000)	**(US$'000)**
Raw materials	5,081	6,580
Work in progress	11,276	15,539
Finished goods	28,150	21,451
	44,507	43,570

12. Trade and bills receivables

	September 30, 2015 (US$'000)	December 31, 2014 (US$'000)
Trade receivables from third parties	21,076	22,105
Trade receivables from related parties (Note 20(b))	118	33
Bills receivables	19,587	20,964
	40,781	43,102

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

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

13. Share capital

Registered and fully paid share capital

	Nominal amount (US$'000)
Registered and fully paid:	
As at January 1, 2014, September 30, 2014, January 1, 2015 and September 30, 2015	24,103

14. Trade payables

	September 30, 2015 (US$'000)	December 31, 2014 (US$'000)
Trade payables from third parties	18,173	27,067
Trade payables from related parties (Note 20(b))	6,102	2,801
	24,275	29,868

All the trade payables are denominated in RMB 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.

15. Other payables, accruals and advanced receipts

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Other payables and accruals		
Accrued operating expenses	8,371	21,303
Accrued salaries	4,743	2,471
Other payables	14,172	12,624
	27,286	36,398
Advanced receipts		
Payments in advance from customers	22,949	14,054
Deferred government incentives (note)	2,317	2,616
	25,266	16,670
	52,552	53,068

Note:

The deferred government incentives are related to the research and development projects which are expected to be completed within one year.

16. Bank borrowing

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Short-term bank borrowing	931	625
Weighted average effective interest rate	7%	7%

The short-term bank borrowing was secured by certain buildings (Note 9) and leasehold land of a subsidiary. This bank borrowing is interest bearing and denominated in RMB.

17. Deferred income

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Deferred government incentives:		
Buildings and other non-current assets	10,664	11,017
Others	4,999	5,568
	15,663	16,585

18. Notes to condensed consolidated statement of cash flows

Reconciliation of profit for the period to net cash generated from operations:

	Nine months ended September 30, 2015 (US$'000)	Nine months ended September 30, 2014 (US$'000)
Profit for the period	18,362	17,083
Adjustments for:		
Taxation charge	3,704	3,333
Amortisation of leasehold land	199	183
Amortisation of other intangible assets	95	96
Depreciation of property, plant and equipment	2,263	2,076
Loss on disposal of property, plant and equipment	3	245
Amortisation of deferred income	(1,016)	(569)
Interest income	(605)	(1,093)
Finance costs	108	165
Share of profits less losses after tax of:		
Joint venture	12	—
Associated companies	(4)	34
Exchange differences	(87)	(1,228)
Operating profit before working capital changes	23,034	20,325
Changes in working capital:		
—Increase in inventories	(937)	(9,918)
—Decrease/(increase) in trade and bills receivables	2,321	(6,666)
—Decrease in other receivables, prepayments and deposits	91	1,746
—(Decrease)/increase in trade payables	(5,593)	2,893
—(Decrease)/increase in other payables, accruals and advance receipts	(607)	16,855
Net cash generated from operations	18,309	25,235

19. Commitments

(a) Capital commitments

The Group had the following capital commitments:

	September 30, 2015 (US$'000)	December 31, 2014 (US$'000)
Property, plant and equipment		
Contracted but not provided for	21,255	30,414

Capital commitment for property, plant and equipment contracted is mainly for the construction in progress of new plant of the Company.

19. Commitments (Continued)

(b) Operating lease commitments

The Group leases various factories and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	September 30, 2015	December 31, 2014
	(US$'000)	(US$'000)
Not later than one year	482	699
Later than one year end not later than five years	37	208
	519	907

20. Significant related party transactions

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

(a) Transactions with related parties:

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Sales of goods to		
—Fellow subsidiaries of GBP	20,441	22,863
—A fellow subsidiary of GZHCMHK	107	20
	20,548	22,883
Other services income from		
—Fellow subsidiaries of GBP	736	715
Purchase of goods from		
—Fellow subsidiaries of GBP	22,564	22,111
Advertising expenses to		
—A fellow subsidiary of GBP	4,899	—

No transactions have been entered into with the directors of the Company (being the key management personnel) during the period ended September 30, 2015 and 2014.

20. Significant related party transactions (Continued)

(b) Balances with related parties included in:

	September 30, 2015 (US$'000)	December 31, 2014 (US$'000)
Trade receivables from related parties:		
—Fellow subsidiaries of GBP (Note 12 and note (i))	118	33
Trade payables due to related parties:		
—Fellow subsidiaries of GBP (Note 14 and note (i))	6,102	2,801
Other receivables from related parties:		
—Fellow subsidiaries of GBP (note (i))	1,486	683
Other payable, accruals and advance receipts due to related parties:		
—Non-controlling shareholders of subsidiaries (note (i))	—	213
—Fellow subsidiaries of GZHCMHK (note (i))	506	535
—Fellow subsidiaries of GBP (note (i))	5,335	1,770
—A fellow subsidiary of GBP (note (ii))	2,763	2,809
	8,604	5,327

Notes:

(i) 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) Balance with related party is unsecured, interest bearing and repayable on demand. The carrying value of balance with a related party approximates its fair value due to its short-term maturity.

Nutrition Science Partners Limited
Condensed Consolidated Income Statement
For the nine months ended September 30, 2015 and September 30, 2014

	Note	Nine months ended September 30, 2015 (US$'000) (unaudited)	Nine months ended September 30, 2014 (US$'000) (unaudited)
Turnover		—	—
Service fee charged by related parties	11	(4,261)	(3,589)
Clinical trials expenses		(503)	(11,308)
Other research and development costs		(1,096)	(2,501)
Other expenses		(34)	(46)
Operating loss		(5,894)	(17,444)
Loss before taxation		(5,894)	(17,444)
Taxation charge	5	—	—
Loss for the period		(5,894)	(17,444)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Nutrition Science Partners Limited
Condensed Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2015 and September 30, 2014

	Nine months ended September 30,	
	2015	**2014**
	(US$'000)	**(US$'000)**
	(unaudited)	
Loss for the period	(5,894)	(17,444)
Total comprehensive loss for the period	(5,894)	(17,444)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Nutrition Science Partners Limited
Condensed Consolidated Statement of Financial Position
As at September 30, 2015 and December 31, 2014

	Notes	September 30, 2015 (US$'000) (unaudited)	December 31, 2014 (US$'000)
ASSETS			
Non-current asset			
Intangible assets	7	30,000	30,000
Current assets			
Prepayments		418	2,299
Cash and cash equivalents		4,320	6,249
		4,738	8,548
Total assets		34,738	38,548
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	60,000	60,000
Accumulated losses		(40,249)	(34,355)
Total equity		19,751	25,645
LIABILITIES			
Current liabilities			
Other payables and accruals	9	505	2,393
Amounts due to related companies		482	510
Shareholders' loans	10	14,000	10,000
Total liabilities		14,987	12,903
Net current liabilities		(10,249)	(4,355)
Total assets less current liabilities		19,751	25,645
Total equity and liabilities		34,738	38,548

The accompanying notes are an integral part of these condensed consolidated financial statements.

Nutrition Science Partners Limited
Condensed Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2015 and September 30, 2014

	Share capital	Share premium	Accumulated losses	Total equity
	(US$'000)	(US$'000)	(US$'000)	(US$'000)
		(unaudited)		
At January 1, 2014	2	59,998	(17,543)	42,457
Loss for the period and total comprehensive loss for the period	—	—	(17,444)	(17,444)
Transition to no-par value regime on March 3, 2014 (note 8)	59,998	(59,998)	—	—
At September 30, 2014	60,000	—	(34,987)	25,013

	Share capital	Accumulated losses	Total equity
	(US$'000)	(US$'000)	(US$'000)
		(unaudited)	
At January 1, 2015	60,000	(34,355)	25,645
Loss for the period and total comprehensive loss for the period	—	(5,894)	(5,894)
At September 30, 2015	60,000	(40,249)	19,751

The accompanying notes are an integral part of these condensed consolidated financial statements.

Nutrition Science Partners Limited
Condensed Consolidated Statement of Cash Flows
For the nine months ended September 30, 2015 and September 30, 2014

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
	(unaudited)	
Cash flows from operating activities		
Loss before taxation	(5,894)	(17,444)
Operating loss before working capital changes	(5,894)	(17,444)
Changes in working capital:		
Decrease/(increase) in prepayments	1,881	(1,494)
(Decrease)/increase in other payables and accruals	(1,888)	1,729
Decrease in amounts due to related companies	(28)	(748)
Net cash used in operating activities	(5,929)	(17,957)
Cash flows from financing activities		
Increase in shareholders' loans	4,000	10,000
Net cash from financing activities	4,000	10,000
Net decrease in cash and cash equivalents	(1,929)	(7,957)
Cash and cash equivalents at the beginning of the period	6,249	17,031
Cash and cash equivalents at the end of the period	4,320	9,074
Analysis of cash and bank balances		
—Cash and cash equivalents	4,320	9,074

The accompanying notes are an integral part of these condensed consolidated financial statements.

Nutrition Science Partners Limited
Notes To Unaudited Condensed Consolidated Accounts

1. General information

Nutrition Science Partners Limited (the "Company") and its subsidiary (together, the "Group") are principally engaged in the research and development of pharmaceutical products. The Company was incorporated in Hong Kong on May 28, 2012 as a limited liability company. The registered office of the Company is located at 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

On November 27, 2012, Hutchison MediPharma (Hong Kong) Limited ("HMPHK"), a subsidiary of Hutchison China MediTech Limited ("Chi-Med", which together with its subsidiaries, hereinafter collectively referred to as the "Chi-Med Group") and Nestlé Health Science S.A. ("NHS"), a subsidiary of Nestlé S.A. ("Nestlé"), entered into a joint venture agreement ("JV Agreement"). Pursuant to the JV Agreement, Nestlé agreed to contribute cash of US$30,000,000 and the Chi-Med Group agreed to contribute 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 and (ii) the exclusive rights to its extensive botanical library and well established botanical research and development platform in the field of gastrointestinal disease into the Company. The Company would be jointly owned by HMPHK and NHS having 50% equity interest each.

During the year ended December 31, 2013, all regulatory approvals regarding the formation of the Company were received and NHS has injected cash of US$30,000,000 in accordance with the JV Agreement.

These unaudited condensed consolidated accounts for the interim period are presented in United States dollars ("US$"), which is the Company's functional and presentation currency, unless otherwise stated.

2. Summary of significant accounting policies

(a) Basis of preparation

The Company has a financial year end date of December 31. These unaudited condensed interim accounts for the nine months ended September 30, 2014 and September 30, 2015 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These condensed interim accounts should be read in conjunction with the annual accounts of the Group for the year ended December 31, 2014 (the "2014 annual accounts"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any periods are not necessarily indicative of the results of operations for the full year or any other periods.

The unaudited condensed interim accounts have been prepared on the going concern basis, notwithstanding that the Group had net current liabilities as at September 30, 2015, as the Company's shareholders have agreed not to demand the repayment of their loans to the Company until the Company is in a position to do so and, in the opinion of the directors, to provide adequate funds for the Group to meet its liabilities as and when they fall due, so as to maintain it as a going concern for the foreseeable future. In the opinion of the directors, the Company's shareholders will continue to provide the necessary funding to the Group for its development plans; and the Company's shareholders have the willingness and ability to provide such funding to the Group for the foreseeable future.

2. Summary of significant accounting policies (Continued)

(b) Significant accounting policies

The unaudited condensed interim accounts have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the 2014 annual accounts, except for the adoption of the amendments and interpretations issued by the International Accounting Standards Board that are the mandatory for annual periods beginning January 1, 2015.

The effect of the adoption of these amendments and interpretations was not material to the Group's results and financial position.

3. Financial risk management and accounting estimates

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. There have been no changes in any risk management policies since last year end.

The preparation of interim accounts required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. In preparing these interim accounts, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2014 annual accounts.

4. Segment information

The Group has one reporting segment which is research and development. All segment assets are located in Hong Kong. The Group's chief operating decision-makers review the consolidated results of the Group for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment and geographical information has been presented.

5. Taxation

No Hong Kong profits tax has been provided as the Group had no assessable profit for the period (September 30, 2014: Nil).

6. Directors' emoluments

None of the directors received any fees or emoluments from the Group in respect of their services rendered to the Group during the period (September 30, 2014: Nil).

7. Intangible assets

	IPR&D projects (note) and others
	(US$'000)
September 30, 2015	
Cost at January 1, 2015 and September 30, 2015	30,000
December 31, 2014	
Cost at January 1, 2014 and December 31, 2014	30,000

Note:

IPR&D projects represent for acquired in-process research and development projects.

8. Share capital

	2015		2014	
	Number of shares	US$'000	Number of shares	US$'000
Issued and fully paid:				
Ordinary shares				
At January 1,	20,000	60,000	20,000	2
Translation to no-par value regime on March 3, 2014 (note)	—	—	—	59,998
At September 30,	20,000	60,000	20,000	60,000

Note:

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622) on March 3, 2014, the amounts standing to the credit of the share premium account have become part of the Company's share capital.

9. Other payables and accruals

Other payables and accruals comprise mainly accrued research and development expenses.

10. Shareholders' loans

The loans from shareholders of US$5,000,000 each, totalling US$10,000,000 are unsecured, interest-bearing (with waiver of interest) and with an original maturity date of June 9, 2015, which is subject to extension from time to time by written consent from shareholders at the request of the Company. The loan agreement was renewed on August 24, 2015, with an effective date of June 9, 2015, and the maturity date extended to June 9, 2016.

On August 24, 2015, the shareholders have provided a further loan of US$2,000,000 each, totalling US$4,000,000. The loans are unsecured, interest-bearing (with waiver of interest) and with a maturity date of August 23, 2016, which is subject to extension from time to time by written consent from shareholders at the request of the Company.

11. Significant related party transactions

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

	Nine months ended September 30,	
	2015	2014
	(US$'000)	(US$'000)
Service fees charged by a subsidiary of Chi-Med	3,648	3,409
Service fees charged by an affiliate of NHS	613	180
	4,261	3,589

(b) Compensation of key management personnel of the Group:

No compensation was paid by the Group to the key management personnel of the Group in respect of their services rendered to the Group during the period (September 30, 2014: Nil).

12. Subsidiary

Name	Place of establishment and operation	Nominal value of issued ordinary share capital in GBP		Equity interest attributable to the Group		Type of legal entity	Principal activity
		As at		As at			
		September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014		
Nutrition Science Partners (UK) Limited	UK	1	1	100%	100%	Limited liability company	Inactive