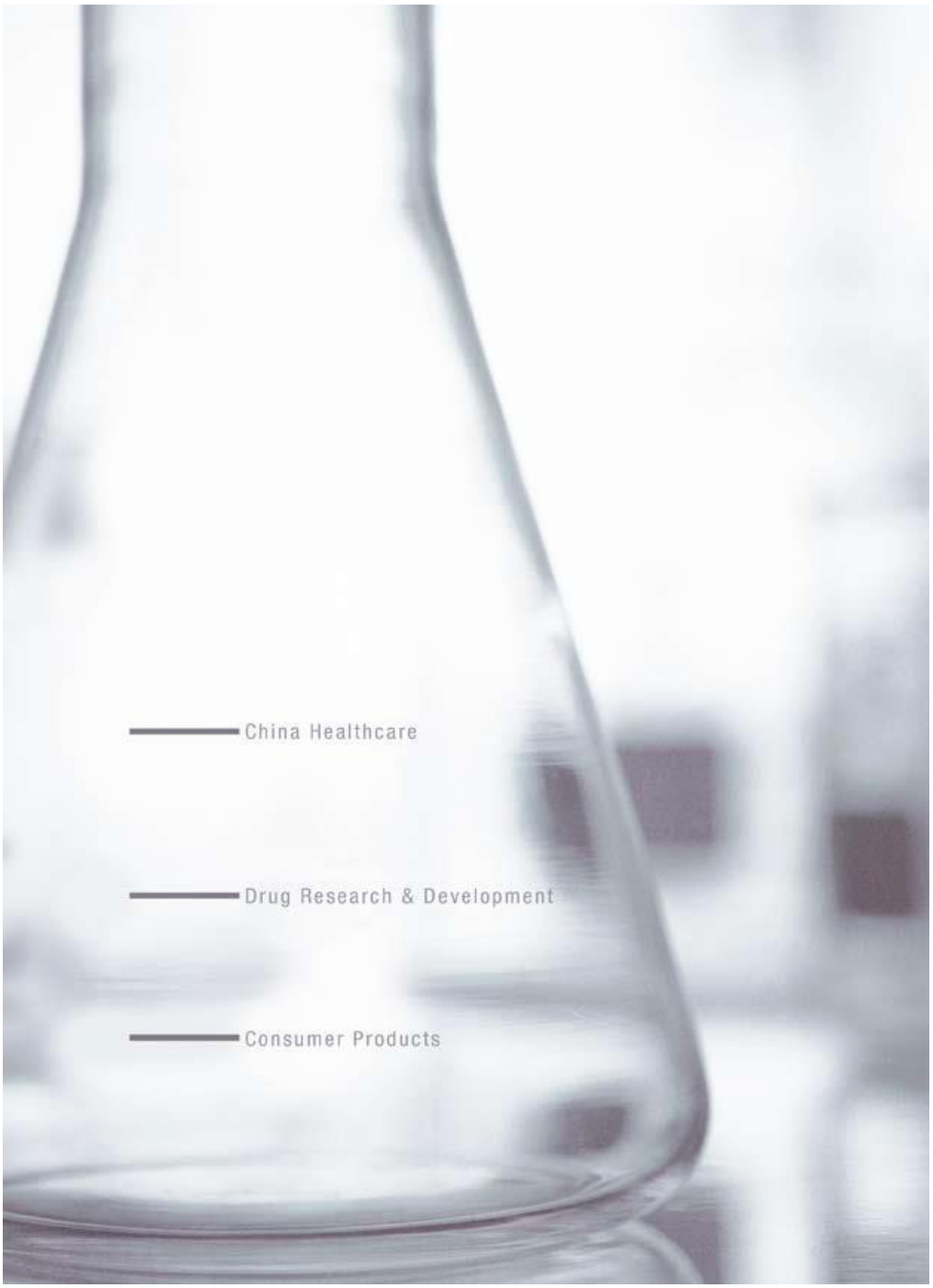
A Hutchison Whampoa Company

CHI-MED

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

2013 Interim Report
Six months ended 30 June 2013



Corporate Information

BOARD OF DIRECTORS

Executive Chairman
Simon TO, BSc, ACGI, MBA

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

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

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

AUDIT COMMITTEE
Michael HOWELL (Chairman)
Christopher HUANG
Christopher NASH

REMUNERATION COMMITTEE
Simon TO (Chairman)
Michael HOWELL
Christopher NASH

TECHNICAL COMMITTEE
Christopher HUANG (Chairman)
Simon TO
Christian HOGG

COMPANY SECRETARY
Edith SHIH

NOMINATED ADVISER
Panmure Gordon (UK) Limited

CORPORATE BROKERS
Panmure Gordon (UK) Limited
UBS Limited

AUDITOR
PricewaterhouseCoopers

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Highlights

Group results are reported for the first time under the new International Financial Reporting Standard, IFRS 11 "Joint Arrangements" ("IFRS11"), which establishes the equity accounting principle for the reporting of joint ventures ("JVs") and means that the income statements and statements of financial position of JVs will no longer be proportionately consolidated. However, total revenues of the JVs will continue to be disclosed under the divisional summaries below.

Group Results

- Revenue, under IFRS11, on continuing operations up 74% to $17.6 million (H1 2012: $10.1m).
- Net profit attributable to Chi-Med equity holders grew 598% to $3.3 million (H1 2012: -$0.7m).
- Solid cash position: cash and cash equivalents at the Chi-Med Group level of $43.8 million (31 December 2012: $30.8m) in addition, and not included at the Group level, cash and cash equivalents held at the JV level totalled $101.4 million (31 December 2012: $62.4m).

China Healthcare Division

- Sales of subsidiaries and JVs up 22% to $227.5 million (H1 2012: $187.0m).
- Net profit attributable to Chi-Med equity holders up 18% to $14.4 million (H1 2012: $12.3m).
- Continued substantial growth in prescription drug and distribution businesses; over-the-counter ("OTC") drug business surge due to H7N9 outbreak in China, raw material prices however remain high.
- Value of land holdings expected to more than cover the cost of planned relocation and expansion of production facilities.
- Cash and cash equivalents held in our China Healthcare Division JVs totalled $75.2 million (31 December 2012: $62.4m).

Drug R&D Division

- Revenue up 265% to $10.5 million (H1 2012: $2.9m) due to a development milestone from AstraZeneca Plc ("AstraZeneca") and service income from Nutrition Science Partners Limited ("NSP") and Janssen Pharmaceuticals Inc. part of the Johnson & Johnson group of companies ("J&J").
- Net loss attributable to Chi-Med equity holders up 8% to $4.8 million (H1 2012: -$4.5m) due to start of NSP investment in HMPL-004 Phase III trials.
- Aggregate cash and equity injections and contractual obligations from partners into Drug R&D Division subsidiaries and JVs during the period totalled $38.1 million (H1 2012: $0.6 m).
- Seven clinical trials accelerating rapidly and building value. Six Phase I/Ib oncology trials in China and Australia as well as NSP's Phase III inflammatory bowel disease ("IBD") trial on HMPL-004 in the United States. Spending during the period by Hutchison MediPharma Limited ("HMP") and its partners on these seven clinical programmes totalled $15.2 million (H1 2012: $6.9m).
- Cash and cash equivalents held in our Drug R&D Division JVs totalled $26.2 million (31 December 2012: nil).

Consumer Products Division

- Sales on continuing operations up 32% to $5.5 million (H1 2012: $4.2m).
- Net loss on continuing operations attributable to Chi-Med equity holders of $0.4 million (H1 2012: -$0.5m).
- Discontinuation of operations of Sen France and infant formula in China with total net loss attributable to Chi-Med equity holders of $1.4 million, of which $0.4 million is non-cash.
- Continuing expansion of the broad organic and natural product line of Hutchison Hain Organic Holdings Limited ("Hutchison Hain Organic").

* In US dollar currency unless otherwise stated

Chairman's Statement

Chairman
Simon To

This has been another good half year for Chi-Med. We have continued to go from strength-to-strength, seeing progress and growth across each of our divisions leading to increased profit and a significantly strengthened operating platform, which is showing real momentum. We have completed our withdrawals from non-performing businesses as well as received considerable cash injections from our partners to fund our clinical activities. As a result, Chi-Med is now well positioned to continue to capitalise on its core China-based Healthcare Products and Pharmaceutical Research and Development divisions, the latter offering considerable potential beyond, as well as within China.

Strategic Development

Our strategic aim remains constant - to build a major, integrated pharmaceutical group, based in China, exploiting the tremendous growth opportunities of the China pharmaceutical marketplace, both prescription and OTC, and taking our innovative drugs into the global pharmaceutical market with the aid of active partnerships with leading Western pharmaceutical companies.

We are leveraging the core strengths of Chi-Med - the deep knowledge we have of the China market, our leading position in China healthcare products, our first-in-class research and development operation, and its increasing attractiveness to established pharmaceutical organisations as a source of innovative new drugs. More specifically, we have built four principal strengths.

First, we believe our drug research team at HMP is one of the most advanced in China based on its productivity and validation on multiple levels over the past ten years. Our discovery-stage research collaborations with major multinational companies have brought in over $21.1 million in income during the past five and a half years and $3.2 million in the first half of 2013. We believe they might soon yield a highly novel clinical candidate. Beyond the discovery-stage, Volitinib licensing deal with AstraZeneca was the first pre-clinical novel target oncology drug license by a Chinese company to a major multinational; the $20 million upfront payment HMP has received from AstraZeneca on this license is a measure of the quality and efficiency of our research work. HMP's research pipeline has three further novel target therapies, targeting phosphoinositide 3-kinase mTOR (PI3K-mTOR), selective fibroblast growth factor receptors (FGFR) and spleen tyrosine kinase (Syk), in or close to regulatory toxicity testing, the last stage before Investigational New Drug ("IND") submission and the initiation of clinical trials. In addition, the clinical pipeline of four further internal drug candidates is now demonstrating strong tolerability and preliminary efficacy across multiple tumour types in the clinic - showing that our drug research translates consistently into tangible drug candidates.

Secondly, during the past five years, behind its broad clinical-stage portfolio, HMP has built an

"...our China prescription drug commercial infrastructure and know-how is very strong..."

effective China clinical and regulatory ("C&R") operation. HMP is a Chinese company and as such can benefit from the strong support of the regulatory authorities and system, but it is our discipline and professionalism that has earned us five fast-track "Green Channel" IND approvals in China in the past five years -- more than any other company in China. As at late 2012, HMP controlled more than one-third of all small molecule targeted oncology therapies in clinical trials in China. Specifically in the first half of 2013, the HMP C&R organisation delivered the initiation of the global NATRUL-3 Phase III trial on HMPL-004, clearance of Volitinib's IND in China enabling it to start the Phase I study; and clearance of Fruquintinib's Phase II/III clinical trial application in China. Beyond these concrete achievements, HMP's track record of running seven clinical studies in parallel, three in partnership with global multinationals, in China, Australia, the US and shortly Europe - is clear evidence of the strong capacity and effectiveness of the HMP C&R team.

Thirdly, our China prescription drug commercial infrastructure and know-how is very strong and has led to a six-fold increase in sales in the past ten years. Through our JV Shanghai Hutchison Pharmaceuticals Limited ("SHPL") we have worked hard over the last decade to build a highly efficient and robust medical sales team in China for our core cardiovascular prescription drug product. With over 1,700 personnel, this operation is highly disciplined and consists of about 1,500 medical sales representatives and 200 commercial/marketing personnel in China actively covering: 1) over 800 Class-3 hospitals in all provincial capitals and medium-sized cities; 2) the majority of over 3,200 Class-2 county level hospitals; and 3) over 8,000 Class-1 clinics in more rural areas.

And fourth, our early decision to collaborate with powerful industry partners in our selected areas of strategic focus has paid substantial dividends. We select partners carefully based on mutual vision and cultural fit. While IFRS11 has limited our ability to report the results of 50/50 JVs, the benefits of partnerships far outweigh any negatives. Our China Healthcare Division partners are among the largest pharmaceutical companies in China and these JVs have given us industry influence and a portfolio of brands and products upon which our commercial and manufacturing network are bulit. In our Drug R&D Division, AstraZeneca, J&J, and Nestlé Health Science S.A. ("Nestlé") have brought not just great financial resource to our collaborations, but invaluable technical expertise also. In our Consumer Products Division, partnership with The Hain Celestial Group, Inc. ("Hain Celestial") has brought us a massive range of relevant and unique consumer products.

"...Fruquintinib has now received CFDA clearance to start Phase II/III trials in multiple tumour types..."

Business Review

China Healthcare Division: This Division continues to expand rapidly and improve its profitability as it has consistently since our IPO seven years ago. Our view is that underlying growth in the China pharmaceutical market remains in the 15-20% per annum range and Chi-Med's high quality portfolio of brands and products position us very well. The primary driver of pharmaceutical industry growth continues to be the commitment of the Chinese government to widen and improve state sponsored healthcare across the Chinese population, through the broadening and deepening of insurance and drug reimbursement.

Pricing of all key China Healthcare Division raw materials have basically normalised after the steep rises we saw in 2009/10 except for the price of Sanqi, the raw material in Fu Fang Dan Shen tablets ("FFDS"), which remains high. Despite the high price of Sanqi, overall division profitability progressed well with net profit attributable to Chi-Med equity holders up 18% to $14.4 million. This reflected principally the continued strong cardiovascular prescription drug sales and a surge in OTC antiviral drug sales. We expect the eventual normalisation of Sanqi pricing over the next few years will help support continued robust profit growth in the division.

We have made good progress on our plans to relocate, upgrade, and expand our two main China Healthcare Division manufacturing sites in Shanghai and Guangzhou. Discussions with local governments in both regions have also progressed well and our plan to fund these moves with compensation that our JVs will receive from vacating their existing sites is on-track.

Drug R&D Division: This Division represents Chi-Med's major potential driver of step-change value creation. In the first half of 2013 we made great progress on multiple fronts. Firstly, NSP, our joint venture with Nestlé, treated its first patient in our global Phase III registration trial on HMPL-004, our IBD drug candidate. Secondly, HMP also gained China Food & Drug Administration ("CFDA") clearance on the Volitinib IND application in China enabling it to start the China Phase I study and triggering a $5 million milestone payment from AstraZeneca.

Our four internal small molecule targeted cancer therapies all continued their clinical development in China with Fruquintinib (HMPL-013) in particular moving rapidly through Phase Ib. Importantly Fruquintinib has now received CFDA clearance to start Phase II/III trials in multiple tumour types which will happen in the second half of 2013. On the discovery side, great steps were made on HMPL-523, our Syk inhibitor for inflammation, for which an IND will likely be submitted by early 2014. In addition, our selective FGFR inhibitor for cancer which will start regulatory toxicity testing in

"...the Drug R&D Division is effectively moving a very large pipeline of oncology and immunology drug candidates forward..."

the second half of 2013, the final step before IND. Finally, our collaboration programme with J&J which addresses a novel target for inflammation is fast approaching an important milestone-triggering decision point. All in all, the Drug R&D Division is effectively moving a very large pipeline of oncology and immunology drug candidates forward while balancing risk through partnerships.

In our Consumer Products Division, we have now discontinued operations in France on Sen and in China on infant formula. This allows our Consumer Products Division to focus the majority of its resources on Hutchison Hain Organic, our high potential consumer business.

Financial Review

Change to IFRS Accounting Rule: The International Accounting Standards Board has published a new standard on the accounting treatments for JVs, IFRS11. This standard came into effect on 1 January 2013 and means that the income statements and statements of financial position of JVs will no longer be consolidated on a proportional basis. For Chi-Med, the change has now resulted in the 50/50 SHPL and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") JVs within our China Healthcare Division being treated as equity investments in Chi-Med's consolidated accounts. This change has neither affected the way we operate SHPL and HBYS, the synergies the Group gains from these operations, nor the net profit attributable to Chi-Med equity holders from these JVs, but this does affect the way we prepare Chi-Med's accounts.

Under IFRS11, Group revenues on continuing operations for the six months ended 30 June 2013 were up 74% to $17.6 million (H1 2012: $10.1m), driven by continued increased collaboration and milestone income from our partnerships with AstraZeneca, Nestlé, and J&J in the Drug R&D Division as well as solid like-for-like sales growth in Hutchison Hain Organic.

Group gross profit on continuing operations was up 97% to $9.1 million (H1 2012: $4.6m), with gross margins increasing to 52% (H1 2012: 45%) due to positive revenue trends in both the Drug R&D and Consumer Products Divisions. Selling expenses as a percentage of sales were reduced to 11% (H1 2012: 33%) as a result of a greater weighting of the Drug R&D Division in Group results, where selling expenses are currently negligible, and a conscious decision to reduce selling expenses on Hutchison Hain Organic in order to drive profitability. Administrative expenses as a proportion of sales reduced to 69% due primarily again to increased revenues in the Drug R&D Division (H1 2012: 95%).

"We maintain a stable balance sheet and financing structure both at the Chi-Med Group and JV levels."

Our China Healthcare Division, which continues to be Chi-Med's primary profit and cash source, grew its operating profit by 15% to $16.1 million (H1 2012: $14.1m) and the Drug R&D Division kept operating losses under control at $5.0 million (H1 2012: -$4.5m) despite HMP's $4.2 million (H1 2012: nil) share of the operating results of the NSP JV – which were primarily HMPL-004 Phase III trial expenses. The Consumer Products Division also made progress with operating losses on continuing operations being reduced to $0.5 million (H1 2012: -$0.9m), due to Hutchison Hain Organic's improved performance.

Consequently, Group operating profit on continuing operations increased 36% to $7.4 million (H1 2012: $5.4m).

Net corporate unallocated expenses remained flat at $3.2 million (H1 2012: -$3.2m) as a result of a close control of Chi-Med head office costs.

Overall, the net profit on continuing operations attributable to Chi-Med equity holders grew 53% to $4.7 million, compared to a net profit of $3.1 million in the first half of 2012.

Charges were incurred during the first half of 2013 for the discontinuation of the Sen France and China infant formula operations. These charges led to total net loss attributable to Chi-Med equity holders of $1.4 million (H1 2012: -$3.7m), of which $0.4 million is non-cash during the period.

The resulting net profit attributable to Chi-Med equity holders therefore grew 598% to $3.3 million (H1 2012: -$0.7m) a profit of 6.3 US cents per share.

Cash and Financing

We maintain a stable balance sheet and financing structure both at the Chi-Med Group and JV levels.

At the Chi-Med Group level, cash and cash equivalents as at 30 June 2013 totalled $43.8 million (31 December 2012: $30.8m), outstanding bank loans of $52.1 million (31 December 2012: $37.8m), and un-utilised bank loan facilities totalled $9.7 million (31 December 2012: $23.9m). Chi-Med Group level net cash inflow was $13.0 million, compared to a $10.4 million outflow in the first half of 2012. The cash inflow during the period was due to inflows of $11.3 million from JVs dividends and $14.3 million from the draw-down on our group banking facilities, being partially offset by outflows to fund group operating expenses.

Chi-Med Group level cash and banking facilities have been in the past, and continue to be, used to

"Our China Healthcare Division, JVs have a good track-record of dividend payments and currently have almost no debt."

fund the Drug R&D Division cash needs, head office operating costs, and the working capital needs of the Consumer Products Division and Hutchison Healthcare Limited ("HHL"). Major cash inflows have come from several sources including our original IPO proceeds, our regular stream of China Healthcare Division dividends and un-dilutive group-level banking facilities. Since the beginning of 2008 we have materially changed the balance of cash inflows and outflows at group-level by: 1) partnering with multinational pharmaceutical companies and attracting investment within the Drug R&D Division – where we have successfully attracted $63.6 million in third party cash to HMP; 2) establishing group-level banking facilities of $61.8 million – supported independently by Chi-Med or through guarantees from Hutchison Whampoa Limited; and 3) cutting back on the cash requirements of our smaller businesses by discontinuing the Sen France, Sen UK, and China infant formula operations and tightening working capital significantly at HHL.

At the JV level, under the new IFRS11 accounting standards, our three JVs (SHPL, HBYS, and NSP), which are all 50/50 joint ventures, are accounted for on an equity accounting basis. Because of this our substantial JV cash balances are not reflected at Chi-Med Group level. Overall, cash and cash equivalents at the JV level as at 30 June 2013 totalled $101.4 million (31 December 2012:$62.4m), with outstanding bank loans of $0.6 million (31 December 2012: $0.6m).

Our China Healthcare Division, JVs have a good track-record of dividend payments and currently have almost no debt. We have retained sufficient profit ($49.5 million) to fully upgrade, expand, and move the HBYS factory so as a result, compensation that will be received for vacating the current unutilised HBYS Plot 2 (30,000 sqm) will be primarily free cash flow. SHPL has retained less profit ($5.6 million) and will use new JV level banking facilities to bridge finance the factory upgrade, expansion and move. As part of the incentives to move to Feng Pu district, SHPL will receive $4.0 million in interest-offset subsidies on these loans and as a result we expect aggregate out-of-pocket interest payments on these loans to be minimal. Compensation that will be received for vacating the current SHPL plot will eventually be used to pay off the bridge banking facilities.

The cash requirements of the NSP JV will be funded primarily through the initial Nestlé capital investment and further milestone payments linked to success of clinical and commercial activities.

Outlook

The prospects for each of our businesses are good, and as a result we remain positive on the outlook

"...we remain positive on the outlook of Chi-Med for the full year and beyond."

of Chi-Med for the full year and beyond. We believe that several areas of our business will achieve step-change progress in the coming year.

Our People

As always, I would like to express my deep appreciation for the support of our investors, directors and partners and for the commitment and dedication of all of Chi-Med's management and staff.

Simon To
Chairman

29 July 2013

Operations Review

Chief Executive Officer
Christian Hogg

China Healthcare Division

The China Healthcare Division has three main operating companies: HBYS and SHPL, which are both JVs and HHL, a wholly-owned subsidiary of Chi-Med. These companies manufacture and market OTC drugs, prescription drugs and health supplements in China and continue to deliver sizable sales and profit growth.

In the first half of 2013, sales of the China Healthcare Division subsidiaries and JVs grew by 22% to $227.5 million. Consolidated net profit attributable to Chi-Med equity holders from the Division increased 18% to $14.4 million. As a result of both sales growth and tightening of working capital, the subsidiaries and JVs of the China Healthcare Division generated $39.8 million in operating net cash (H1 2012: $30.7m) and distributed dividends to the Chi-Med Group of $11.3 million (H1 2012: $3.2m).

HBYS: HBYS, our OTC business, made good progress once again in growing overall JV sales by 22% to $146.6 million (H1 2012: $120.5m). The growth came in two main areas, continued expansion of HBYS's OTC distribution business which grew 30% to $26.6 million as HBYS continued to expand its third party OTC product ranges; and a surge in HBYS's OTC antiviral drug sales, which grew 30% to $46.6 million due to widespread publicity and consumer anxiety around the avian influenza ("H7N9") virus. As of 19 April 2013, a total of 91 laboratory-confirmed human cases, including 17 deaths, of infection with H7N9 virus were reported in four provinces in China (World Health Organisation) leading to high demand for Banlangen granules. Publicity on the H7N9 virus subsided late in the first half of 2013 as it was established that there did not seem to be any cases of human-to-human transmission.

Sales of FFDS grew 31% during the period to $46.1 million (H1 2012: $35.2m), as a result of some limited customer stocking-up ahead of expected ex-factory price increases. These FFDS price increases are required because the price of Sanqi, the main ingredient in FFDS, remained very high during the period. HBYS was successful in gaining approval from the Guangdong Price Bureau to increase FFDS price under the Guangdong Provincial Medicines Catalogue. The same request has been submitted to the National Development and Reform Commission ("NDRC") to extend the price increase to the National Medicines Catalogue. Importantly also, during the first half of 2013, HBYS was able to increase ex-factory pricing on FFDS by a further 22% under existing NDRC guidelines. These price increases combined with the expected over supply of Sanqi in China in late 2013 and 2014 should improve FFDS volume and profitability over the coming year.

SHPL: Our prescription drug business continues to expand quickly, with first half of 2013 JV sales up

"SHPL has created an innovative marketing and promotion model that has dedicated teams covering all key channels..."

25% to $79.3 million (H1 2012: $63.4m). Since our listing in 2006, sales of SHPL have grown almost five-fold driven by the outstanding performance of both She Xiang Bao Xin pill ("SXBXP"), our proprietary prescription cardiovascular drug, and the SHPL commercial team. This continues to gain ground through new geographic and sales channel expansion and in winning market share from our key competitors as a result of our superior marketing execution in mature markets.

The SHPL commercial team now numbers about 1,500 medical sales representatives in China which enables the promotion of SXBXP not just in hospitals in provincial capitals and medium-sized cities, but also in the majority of county level hospitals in China. SHPL has created an innovative marketing and promotion model that has dedicated teams covering all key channels such as major hospitals; community clinics; county hospitals; the OTC channel; patient education; wholesale and secondary/tertiary distribution. Key to all SHPL marketing communications is a strong flow of quality academic research on SXBXP published in Chinese and international medical research journals.

Ex-factory pricing for SXBXP has remained stable during the past five years and we expect this trend to continue. SXBXP remains listed on the latest national Essential Medicines List issued by the Ministry of Health in China in August 2009. All state-owned health institutions in urban and rural China will be required to give priority to the listed drugs by 2020. SXBXP is fully reimbursed in all provinces under the national basic medical insurance, labour injury insurance and childbirth insurance schemes in China.

HHL: Sales in the HHL infant nutrition business declined 49% to $1.6 million (H1 2012: $3.1m) in the first half of 2013 due to our continued tightening of working capital as we have moved to evolve HHL towards a cash positive model. The Zhi Ling Tong brand is profitable and remains popular with the Chinese consumer and within its obstetrics and gynaecology hospital, mother/baby, and drug store commercial channels.

China Healthcare JV Dividends: The increasing profits of the China Healthcare Division have translated into a steady stream of dividends paid to the Chi-Med Group over the past eight years. Profit in our two JVs, SHPL and HBYS, totalled $148.2 million from 2005 to 2012 of which a total of 63% ($93.1m) was paid in dividends and $55.1 million (37%) has been retained, primarily at HBYS, to fund the factory upgrade, expansion and relocation. Dividends of $11.3 million were paid from the JVs to Chi-Med Group level during the first half of 2013, representing 70% of the profit for the period.

"We intend to expand these pharmaceutical distribution and commercialisation activities..."

Expanding Production: Since our listing in 2006, the sales of our China Healthcare Division's subsidiaries and JVs have more than quadrupled, from $56.1 million in the first 6 months of 2006 to $227.5 million in the first 6 months of 2013 -- we now have a need to materially expand manufacturing capacity. Furthermore, we must now also upgrade our SHPL and HBYS factories to new China Good Manufacturing Practice ("GMP") standards for pharmaceutical products, which will become a requirement for certain pharmaceutical products in China starting in late 2013 and for all pharmaceutical products by the end of 2015. In order to expand and upgrade our factories we plan to move to large long-term sites located well outside the city centre sites we currently occupy.

For the SHPL factory relocation, we have concluded site preparation and piling on our new site in Feng Pu district (40km southwest of Shanghai) and will start construction on the new higher capacity GMP facility in the second half of 2013 - the new SHPL factory is expected to take over production in early 2015. On the HBYS factory, as previously reported, we will upgrade, expand, and move in stages and the plan is progressing well in three areas: 1) GMP upgrade and recertification on the existing main HBYS factory (HBYS Plot 1, 59,000 square metres); 2) negotiating final terms of land purchases for an extraction facility in Bozhou city (Anhui province) and a formulation facility in Zhong Luo Tan district (40km north of Guangzhou); and 3) awaiting the Guangzhou Municipal Government approval on the redevelopment rights and compensation for currently unused HBYS land (Plot 2, 30,000 square metres) - having already successfully received local Baiyun district clearance.

At a minimum, we believe, based on market precedent and third party valuations, the cost of establishing the new and expanded production sites will be covered by the compensation that our JVs should receive from the local governments in return for release of the land use rights on their existing sites.

Broadening Operations: We have previously stated that we believe our China Healthcare Division commercial platforms in prescription and OTC drugs are ready to be used to market and sell broader product lines including complementary third party drugs. We intend to expand these pharmaceutical distribution and commercialisation activities and potentially establish further co-operations and ventures in China in this area.

Drug R&D Division

In the first half of 2013, HMP revenue increased to $10.5 million (H1 2012: $2.9m) and net loss attributable to Chi-Med equity holders slightly increased to $4.8 million (H1 2012: -$4.5m)

"...our most clinically advanced drug candidate, HMPL-004, NSP initiated the NATRUL-3 global Phase III registration trial..."

reflecting a much higher level of clinical activity.

As our broad clinical pipeline rapidly progresses, the financial and organisational requirements on HMP are mounting. We have taken two steps in the past three years to mitigate the impact of our investments. Firstly, we have licensed/partnered with major multinationals to bring cash into HMP, share the majority of clinical expenses, and benefit from their considerable technical know-how. Secondly, we have been expanding research collaborations in order to allow the unique research platform of over 170 scientists and staff that HMP has created in China to generate cash to help support and sustain itself. In the first half of 2013, through these two strategies, HMP's subsidiaries and JVs received cash and equity injections and contractual obligations for $38.1 million in cash in aggregate (H1 2012: $0.6m). These cash injections and obligations came primarily from AstraZeneca, Nestlé, and J&J.

HMP moved forward all aspects of its oncology and immunology pipeline during the first half of 2013, managing seven clinical trials in parallel. HMP has a total of six Phase I/Ib oncology trials in China and Australia as well as a Phase III IBD trial in the United States. Clinical trial spending during the period by HMP and its partners on these seven programmes totalled approximately $15.2 million (H1 2012: $6.9m).

Product Pipeline Progress

HMPL-004: In relation to our most clinically advanced drug candidate, HMPL-004, NSP initiated the NATRUL-3 global Phase III registration trial in April 2013. The primary endpoint of this study is to evaluate 8-week treatments of 1,800mg/day and 2,400mg/day dosages of HMPL-004 compared with placebo in patients with active mild-to-moderate ulcerative colitis who have inadequate response to their current treatment with Mesalamine. Secondary endpoints of this study include clinical response and mucosal healing. As at the end of June 2013, 50 clinical sites were running and active in the US with the European portion of the study expected to start in the fourth quarter of 2013. Screening and enrollment in the NATRUL-3 study is proceeding rapidly and the entire study is expected to take approximately 24 months to complete. A second study NATRUL-4, a study designed to evaluate 1,800mg/day of HMPL-004 as a 52-week maintenance therapy, initiated in July 2013. Subjects who have completed NATRUL-3 will be eligible to enter NATRUL-4 directly.

Volitinib: Volitinib (HMPL-504) is a novel targeted therapy and inhibitor of the c-Met receptor tyrosine kinase for the treatment of cancer. The c-Met (also known as HGFR) signalling pathway

"...an IND was cleared by the CFDA in China enabling HMP to initiate Phase I study in June 2013 of Volitinib..."

has specific roles particularly in normal mammalian growth and development; however this pathway has been shown to function abnormally in a range of different cancers. In December 2011, HMP signed a global licensing deal with AstraZeneca on Volitinib and then followed-up with the start of Phase I study in Australia in February 2012. This first-in-human Phase I clinical trial has enrolled and treated 22 patients in five dose cohorts with drug given once daily, the majority of patients being Caucasian. Volitinib was well tolerated up to 800mg per day and has shown very encouraging anti-tumour activity including partial response in certain cancer types. Volitinib has demonstrated favorable pharmacokinetic properties. In April 2013 an IND was cleared by the CFDA in China enabling HMP to initiate Phase I study in June 2013 of Volitinib in Asian patients. The China Phase I study will likely be rapid given that it has commenced at 600mg per day, a dose shown to be well tolerated and has preliminary anti-tumour activity. HMP and AstraZeneca intend to publish the results of the Australian Phase I study at the American Association for Cancer Research, European Organisation for Research and Treatment of Cancer and National Cancer Institute conference on Molecular Targets and Cancer Therapeutics in October 2013 and progress at speed into Phase II proof-of-concept studies in multiple tumour types.

Fruquintinib: Fruquintinib (HMPL-013) is a novel small molecule compound to treat cancer that selectively inhibits vascular endothelial growth factor ("VEGF") receptors. Fruquintinib has shown highly potent inhibitory effects on multiple human tumour xenografts, including some refractory tumours such as pancreatic cancer and melanoma. The first-in-human Phase I clinical trial started in early 2011 and the clinical programme has enrolled and treated 80 patients. Fruquintinib has demonstrated excellent pharmacokinetic properties and was well tolerated at doses up to 4mg once daily as well as 5mg once daily in a three-weeks-on, one-week-off, regimen. Very encouraging anti-tumour activity including partial response was observed in colorectal, lung, breast, gastric and other tumour types. HMP submitted a Phase II/III clinical trial application to the CFDA in late 2012 and has recently received clearance to start Phase II/III study in the third quarter of 2013. The immediate development plan for Fruquintinib will include several Phase IIa proof-of-concept studies which are now scheduled to initiate in the second half of 2013.

Sulfatinib: Sulfatinib (HMPL-012) is a novel small molecule that selectively inhibits the tyrosine kinase activity associated with VEGF and fibroblast growth factor receptors. Pre-clinical data has shown that this compound is a potent suppressor of angiogenesis, an established approach in anti-cancer treatment. The first-in human Phase I

"...if efficacy is proven in this area, Epitinib would become a highly attractive next-generation EGFR inhibitor... "

clinical trial is underway in China and has enrolled and treated 43 patients with drug given once or twice daily. Sulfatinib was well tolerated up to 300mg per day or 150mg twice daily and demonstrated preliminary anti-tumour activity in multiple cancer types, including liver cancer. In 2012, HMP made formulation adjustments to Sulfatinib to address pharmacokinetic variability and has now restarted dose escalation in the Phase I study. HMP expects to complete the Phase I study by the end of 2013.

Epitinib: Epitinib (HMPL-813) is a highly potent inhibitor of the epidermal growth factor receptor ("EGFR") tyrosine kinase involved in tumour growth, invasion and migration. Pre-clinical studies and orthotopic brain tumour models have shown that Epitinib demonstrated excellent brain penetration and efficacy, superior to that of current globally marketed EGFR inhibitors. Epitinib has good kinase selectivity and demonstrated a broad spectrum of anti-tumour activity via oral dosing in multiple xenografts in pre-clinical studies. The first-in-human Phase I clinical trial started in late 2011 and has enrolled and treated 26 patients with drug given once daily. Epitinib was well tolerated with excellent pharmacokinetic properties up to 200mg per day and demonstrated the anti-tumour activity expected from EGFR inhibitors -- partial response among patients with non-small cell lung cancer ("NSCLC") with EGFR-activating mutation. HMP is now working, within the Phase I trial framework, towards establishing activity in NSCLC patients with tumours metastasised to the brain carrying EGFR-activating mutations - if efficacy is proven in this area, Epitinib would become a highly attractive next-generation EGFR inhibitor and will address a major unmet medical need. We expect this Phase I study will complete by the end of 2013.

Theliatinib: Theliatinib (HMPL-309) is a novel small molecule EGFR inhibitor. In pre-clinical testing, it was found to have potent anti-EGFR activity against the growth of not only the tumours with EGFR-activating mutations, but also those without (the majority, also known as wild-type EGFR). Other than NSCLC tumours, most other tumour types have no EGFR-activating mutations. The current EGFR inhibitor products have limited response for these cancers and therefore are limited to only NSCLC patients with the EGFR-activating mutations. The Phase I clinical trial started in China in late-2012 and Theliatinib was well tolerated with good pharmacokinetic properties up to 60mg per day however as at the end of June 2013 it has not yet demonstrated preliminary anti-tumour activity - dose escalation therefore continues. If the pre-clinical findings of wild-type EGFR inhibition are confirmed in humans in Phase I clinical studies, Theliatinib would become a highly attractive next-generation EGFR inhibitor. The final study results are anticipated to be available in 2014.

"Performance of Hutchison Hain Organic during the first half of 2013 continued to be strong with sales of its distribution business growing..."

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

Consumer Products Division

Our strategy remains to build a "healthy living" focused consumer products group primarily in China. The demand for high quality health oriented consumer products is strong and our products are unique. As a result, the performance of the Consumer Products Division operations in the first half of 2013 was strong, with overall sales growing 32% to $5.5 million (H1 2012: $4.2m) and net loss attributable to Chi-Med equity holders narrowed to $0.4 million (H1 2012: -$0.5m).

In the first half of 2013 we completed the discontinuation of both the Sen France and China infant formula operations incurring charges which led to a total net loss attributable to Chi-Med equity holders on the discontinued operations of $1.4 million, of which $0.4 million is non-cash. This has now cleared the way for our Consumer Products Division to focus on Hutchison Hain Organic and two small, but related, regional test projects Sen Hong Kong and Hutchison Consumer Products Limited.

Hutchison Hain Organic: Our natural and organic products venture with Hain Celestial is involved in the exclusive regional distribution of a range of about 30 Hain brands of organic and natural products in Hong Kong, mainland China, and a further seven territories in Asia.

Performance of Hutchison Hain Organic during the first half of 2013 continued to be strong with sales of its distribution business growing 30% to $4.8 million (H1 2012: $3.7m). Hutchison Hain Organic is now essentially at break-even with a net loss attributable to Chi-Med equity holders of $0.1

"Each of our businesses is very well positioned to deliver further growth in the second half of this year and beyond."

million (H1 2012:-$0.4m). Expansion came primarily from increase in sales in Hong Kong, mainland China, Singapore and Taiwan. Hutchison Hain Organic now plans to begin local production of some of our more popular imported products in China in 2014 in order to expand and reduce importation costs and complexity. This area of the business will continue to grow gradually as more and more Asian consumers look for high quality organic and natural products.

Summary

Each of our businesses is very well positioned to deliver further growth in the second half of this year and beyond. We believe that several areas of our business will achieve step-change progress in the coming year.

Christian Hogg
Chief Executive Officer

29 July 2013

Report On Review Of Interim Financial Report

To The Board Of Directors Of Hutchison China MediTech Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 19 to 51, which comprises the condensed consolidated statement of financial position of Hutchison China MediTech Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013, and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 July 2013

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

	Note	Unaudited Six months ended 30 June 2013 US$'000	2012 US$'000 (Restated)
Continuing operations			
Revenue	4	17,553	10,117
Cost of sales		(8,479)	(5,516)
Gross profit		9,074	4,601
Selling expenses		(1,952)	(3,299)
Administrative expenses		(12,063)	(9,648)
Other net operating income	5	539	101
Share of profits less losses of joint ventures	12	11,778	13,658
Operating profit	6	7,376	5,413
Finance costs	7	(726)	(602)
Profit before taxation		6,650	4,811
Taxation charge	8	(711)	(561)
Profit for the period from continuing operations		5,939	4,250
Discontinued operations			
Loss for the period from discontinued operations	9	(1,978)	(3,840)
Profit for the period		3,961	410
Attributable to:			
Equity holders of the Company			
- Continuing operations		4,686	3,062
- Discontinued operations		(1,408)	(3,720)
		3,278	(658)
Non-controlling interests		683	1,068
		3,961	410
Earnings per share for profit from continuing operations attributable to equity holders of the Company for the period (US$ per share)			
- basic	10(a)	0.0900	0.0591
- diluted	10(b)	0.0887	0.0582
Earnings/(losses) per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company for the period (US$ per share)			
- basic	10(a)	0.0630	(0.0127)
- diluted	10(b)	0.0620	(0.0127)

Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 30 June 2013

	Unaudited Six months ended 30 June	
	2013 US$'000	2012 US$'000 (Restated)
Profit for the period	3,961	410
Other comprehensive income that has been or may be reclassified subsequently to profit or loss:		
Exchange translation differences	1,809	(864)
Total comprehensive income/(loss) for the period (net of tax)	5,770	(454)
Attributable to:		
Equity holders of the Company		
- Continuing operations	6,324	2,335
- Discontinued operations	(1,410)	(3,769)
	4,914	(1,434)
Non-controlling interests	856	980
	5,770	(454)

Condensed Consolidated Statement Of Financial Position

As at 30 June 2013

	Note	Unaudited 30 June 2013 US$'000	Restated 31 December 2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	3,188	3,344
Leasehold land		1,503	1,498
Goodwill		407	407
Investment in joint ventures	12	110,838	109,552
Deferred tax assets		282	280
		116,218	115,081
Current assets			
Inventories		1,196	1,590
Trade receivables	13	13,553	9,508
Other receivables and prepayments		945	1,583
Amount due from related parties	19	2,757	1,194
Cash and bank balances		43,804	30,767
		62,255	44,642
Total assets		178,473	159,723
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	52,051	52,048
Reserves		32,749	18,530
		84,800	70,578
Non-controlling interests		15,853	11,620
Total equity		100,653	82,198
LIABILITIES			
Current liabilities			
Trade payables	15	1,954	3,183
Other payables, accruals and advance receipts		15,237	15,229
Amount due to related parties	19	6,440	6,303
Bank borrowings	16	25,187	10,892
		48,818	35,607
Non-current liabilities			
Deferred tax liabilities		2,079	2,528
Convertible preference shares	17	-	12,467
Bank borrowing	16	26,923	26,923
Total liabilities		77,820	77,525
Total equity and liabilities		178,473	159,723

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2012

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	General reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2012, as previously reported	51,743	92,955	4,748	8,650	496	(93,807)	64,785	12,545	77,330
Prior year adjustments in respect of changes in accounting policy (Note 2(b))	-	-	-	-	-	-	-	(1,221)	(1,221)
As at 1 January 2012, as restated	51,743	92,955	4,748	8,650	496	(93,807)	64,785	11,324	76,109
(Loss)/profit for the period	-	-	-	-	-	(658)	(658)	1,068	410
Other comprehensive loss:									
Exchange translation differences	-	-	-	(776)	-	-	(776)	(88)	(864)
Total comprehensive income/(loss) for the period (net of tax)	-	-	-	(776)	-	(658)	(1,434)	980	(454)
Issue of shares (Note 14(a))	243	546	(326)	-	-	-	463	-	463
Share-based compensation expenses	-	-	502	-	-	-	502	-	502
Transfer between reserves	-	-	(118)	-	-	118	-	-	-
As at 30 June 2012	51,986	93,501	4,806	7,874	496	(94,347)	64,316	12,304	76,620

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2013

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Share-based compensation reserve	Exchange reserve	General reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2013, as previously reported,	52,048	93,669	4,974	9,380	496	(89,989)	70,578	13,070	83,648
Prior year adjustments in respect of changes in accounting policy (Note 2(b))	-	-	-	-	-	-	-	(1,450)	(1,450)
As at 1 January 2013, as restated	52,048	93,669	4,974	9,380	496	(89,989)	70,578	11,620	82,198
Profit for the period	-	-	-	-	-	3,278	3,278	683	3,961
Other comprehensive income:									
Exchange translation differences	-	-	-	1,636	-	-	1,636	173	1,809
Total comprehensive income for the period (net of tax)	-	-	-	1,636	-	3,278	4,914	856	5,770
Issue of shares (Note 14(a))	3	6	(2)	-	-	-	7	-	7
Share-based compensation expenses	-	-	205	-	-	-	205	6	211
Transfer between reserves	-	-	(161)	-	-	161	-	-	-
Dilution of interest in a subsidiary (Note 17)	-	-	(120)	(243)	-	9,459	9,096	3,371	12,467
As at 30 June 2013	52,051	93,675	4,896	10,773	496	(77,091)	84,800	15,853	100,653

Condensed Consolidated Statement Of Cash Flows

For the six months ended 30 June 2013

	Note	Unaudited Six months ended 30 June 2013 US$'000	2012 US$'000 (Restated)
Cash flows from operating activities			
Net cash used in operations	18	(30)	(6,468)
Interest received		201	145
Finance costs paid		(685)	(602)
Income tax paid		(565)	(158)
Net cash used in operating activities		(1,079)	(7,083)
Cash flows from investing activities			
Purchase of property, plant and equipment		(329)	(218)
Payments for development costs		-	(2,632)
Proceeds from disposal of property, plant and equipment		-	10
Net cash used in investing activities		(329)	(2,840)
Cash flows from financing activities			
Decrease in amount due from a non-controlling shareholder of a subsidiary		-	477
Issue of shares, net of share issuance costs		7	463
New long-term bank loan		-	26,923
New short-term bank loans		14,295	-
Repayment of short-term bank loans		-	(28,167)
Net cash generated from/(used in) financing activities		14,302	(304)
Net increase/(decrease) in cash and cash equivalents		12,894	(10,227)
Cash and cash equivalents at beginning of the period		30,767	42,525
Exchange differences		143	(140)
Cash and cash equivalents at end of the period		43,804	32,158
Analysis of cash and cash equivalents			
- Cash and bank balances		43,804	32,158

Non-cash transaction:
The convertible preference shares of US$12,467,000 of Hutchison MediPharma Holdings Limited were settled through reclassification from non-current financial liability to equity as explained in note 17.

Notes To The Condensed Interim Accounts

1 General information

Hutchison China MediTech Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in the manufacturing, distribution and sales of traditional Chinese medicine ("TCM") and healthcare products. The Group is also engaged in carrying out pharmaceutical research and development. The Group and its joint ventures have manufacturing plants in Shanghai and Guangzhou in the People's Republic of China (the "PRC") and sell mainly in the PRC and Hong Kong. During the period, the Group had discontinued parts of its consumer products operation in the PRC and France as detailed in Note 9.

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

The Company's ordinary shares were admitted to trading on the Alternative Investment Market operated by the London Stock Exchange plc. These condensed interim accounts are presented in thousands of United States dollars ("US$'000"), unless otherwise stated, and were approved for issue by the Board of Directors on 29 July 2013.

2 Summary of significant accounting policies

(a) Basis of preparation

The Company has a financial year end date of 31 December. These unaudited condensed interim accounts for the six months ended 30 June 2013 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 31 December 2012 (the "2012 annual accounts"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Significant accounting policies

The condensed interim accounts have been prepared under the historical cost convention except that certain financial assets and liabilities (including derivative instruments) are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the 2012 annual accounts, except for the adoption of the new/revised standards, amendments and interpretations issued by the International Accounting Standards Board that are the mandatory for annual periods beginning 1 January 2013.

The effect of the adoption of these revise standards, amendments and interpretations was not material to the Group's results and financial position except for IAS 1 (Amendments) and IFRS 11 as described below.

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

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

Notes To The Condensed Interim Accounts

2 Summary of significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

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

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

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

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

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

In the condensed interim accounts the period ended 30 June 2013, the Group adopted the equity method to account for its investments in JV in accordance with IFRS 11. Under the equity method, interests in JV are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the JV. The change in accounting policy has been applied retrospectively and the effect of the change in accounting policy mentioned above on the results and cash flows of the Group for the year ended 2012 and six months end 30 June 2012 and the financial position of the Group at 1 January 2012 and 31 December 2012 are summarised in the following pages.

Notes To The Condensed Interim Accounts

2 Summary of significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

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

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

Notes To The Condensed Interim Accounts

2 Summary of significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

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

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

Notes To The Condensed Interim Accounts

2 Summary of significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

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

	For the year ended 31 December 2012	Change in accounting policy	For the year ended 31 December 2012	For the Period ended 30 June 2012	Change in accounting policy	For the period ended 30 June 2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	(Note)		(Restated)	(Note)		(Restated)
Statement of comprehensive income						
Revenue	195,531	(173,164)	22,367	102,206	(92,089)	10,117
Cost of sales	(98,135)	85,381	(12,754)	(48,617)	43,101	(5,516)
Gross profit	97,396	(87,783)	9,613	53,589	(48,988)	4,601
Selling expenses	(60,595)	54,901	(5,694)	(29,657)	26,358	(3,299)
Administrative expenses	(34,747)	13,371	(21,376)	(16,364)	6,716	(9,648)
Other net operating income	14,078	(731)	13,347	247	(146)	101
Share of profits of joint ventures	-	17,147	17,147	-	13,658	13,658
Operating profit	16,132	(3,095)	13,037	7,815	(2,402)	5,413
Finance costs	(1,209)	49	(1,160)	(644)	42	(602)
Profit before taxation	14,923	(3,046)	11,877	7,171	(2,360)	4,811
Taxation charge	(4,162)	3,046	(1,116)	(2,921)	2,360	(561)
Profit from continuing operations	10,761	-	10,761	4,250	-	4,250
Loss from discontinued operations	(7,221)	-	(7,221)	(3,840)	-	(3,840)
Profit after tax	3,540	-	3,540	410	-	410
Other comprehensive income						
Exchange translation differences	814	-	814	(864)	-	(864)
Total comprehensive income/(loss)	4,354	-	4,354	(454)	-	(454)

Note: The above consolidated income statement for the period ended 30 June 2012 and year ended 31 December 2012 have been restated for the results of Group's discontinued operations as explained in note 9.

Notes To The Condensed Interim Accounts

2 Summary of significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Impact of change in accounting policy on the statement of cash flows

	For the year ended 31 December 2012 US$'000 (Previously reported)	Change in accounting policy US$'000	For the year ended 31 December 2012 US$'000 (Restated)	For the period ended 30 June 2012 US$'000 (Previously reported)	Change in accounting policy US$'000	For the period ended 30 June 2012 US$'000 (Restated)
Statement of cash flows						
Cash flows from operating activities	15,661	(27,112)	(11,451)	5,520	(12,603)	(7,083)
Cash flows from investing activities	(11,978)	7,390	(4,588)	(4,304)	1,464	(2,840)
Cash flows from financing activities	4,175	(3)	4,172	(306)	2	(304)
Net increase/(decrease) in cash and cash equivalents	7,858	(19,725)	(11,867)	910	(11,137)	(10,227)
Net cash and cash equivalents at 1 January	53,763	(11,238)	42,525	53,763	(11,238)	42,525
Exchange differences	388	(279)	109	(307)	167	(140)
Net cash and cash equivalents at end of period	62,009	(31,242)	30,767	54,366	(22,208)	32,158

3 Financial risk management and accounting estimates

The Group's activities expose it to a variety of financial risks: market risk (including exchange rate risk and 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 judgements 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 2012 annual accounts.

Notes To The Condensed Interim Accounts

4 Revenue and segment information

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

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Continuing operations:		
Sales of goods	7,096	7,251
Income from research and development projects (note)	10,457	2,866
	17,553	10,117
Discontinued operations:		
Sales of goods	(104)	902
Service income	-	19
	17,449	11,038

Note:

Income from research and development projects include upfront income of US$2.3 million (30 June 2012: US$2.3 million) and US$5.0 million (30 June 2012: Nil) milestone income from a global licensing, co-development and commercialisation agreement and income from the provision of research and development services of US$3.2 million (30 June 2012: US$0.6 million).

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

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

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

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

The Group had discontinued parts of its consumer products operations in the PRC and France for the period ended 30 June 2013 and consumer products operations in the United Kingdom (the "UK") for the period ended 30 June 2012. Details of the discontinued operations are included in Note 9.

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

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

Continuing operations

	As at and for the six months ended 30 June 2013								
	China Healthcare	Drug R&D	Consumer products				Reportable Segment		
	PRC	PRC	PRC	UK	France	Hong Kong	Total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	1,557	10,457	385	-	-	5,154	17,553	-	17,553
EBIT/(LBIT)	128	(819)	(8)	-	-	(494)	(1,193)	(3,410)	(4,603)
Interest income	3	14	-	-	-	9	26	175	201
Share of profit/(losses) of joint ventures	15,975	(4,197)	-	-	-	-	11,778	-	11,778
Operating profit/(loss)	16,106	(5,002)	(8)	-	-	(485)	10,611	(3,235)	7,376
Finance costs	89	-	-	-	-	-	89	637	726
Additions to non-current assets (other than financial instrument and deferred tax assets)	4	320	-	-	-	1	325	4	329
Depreciation/ amortisation	10	509	-	-	-	8	527	18	545
Total assets	101,935	46,462	1,655	-	-	6,905	156,957	20,231	177,188

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

Discontinued operations

	As at and for the six months ended 30 June 2013								
	China Healthcare	Drug R&D	Consumer products				Reportable Segment	Unallocated	Total
	PRC	PRC	PRC	UK	France	Hong Kong	Total		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	-	-	1	-	(105)	-	(104)	-	(104)
LBIT	-	-	(1,141)	-	(837)	-	(1,978)	-	(1,978)
Interest income	-	-	-	-	-	-	-	-	-
Share of profit/(losses) of joint ventures	-	-	-	-	-	-	-	-	-
Operating loss	-	-	(1,141)	-	(837)	-	(1,978)	-	(1,978)
Finance costs	-	-	-	-	-	-	-	-	-
Additions to non-current assets (other than financial instrument and deferred tax assets)	-	-	-	-	-	-	-	-	-
Depreciation/ impairment	-	-	-	-	-	-	-	-	-
Total assets	-	-	-	209	1,076	-	1,285	-	1,285

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

Continuing operations

	As at and for the six months ended 30 June 2012								
	China Healthcare	Drug R&D	Consumer products				Reportable Segment		
	PRC US$'000	PRC US$'000	PRC US$'000	UK US$'000	France US$'000	Hong Kong US$'000	Total US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	3,068	2,866	144	-	-	4,039	10,117	-	10,117
EBIT/(LBIT)	380	(4,537)	(225)	-	-	(713)	(5,095)	(3,295)	(8,390)
Interest income	3	89	1	-	-	1	94	51	145
Share of profit/(losses) of joint ventures	13,669	(11)	-	-	-	-	13,658	-	13,658
Operating profit/(loss)	14,052	(4,459)	(224)	-	-	(712)	8,657	(3,244)	5,413
Finance costs	129	-	-	-	-	-	129	473	602
Additions to non-current assets (other than financial instrument and deferred tax assets)	1	2,847	3	-	-	6	2,857	13	2,870
Depreciation/ amortisation	15	839	1	-	-	9	864	7	871
Total assets	91,697	37,287	1,817	-	-	4,869	135,670	16,678	152,348

4 Revenue and segment information (Continued)

Discontinued operations

	As at and for the six months ended 30 June 2012								
	China Healthcare	Drug R&D	Consumer products				Reportable Segment		
	PRC US$'000	PRC US$'000	PRC US$'000	UK US$'000	France US$'000	Hong Kong US$'000	Total US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	-	-	202	194	525	-	921	-	921
LBIT	-	-	(238)	(3,191)	(411)	-	(3,840)	-	(3,840)
Interest income	-	-	-	-	-	-	-	-	-
Share of profit/(losses) of joint ventures	-	-	-	-	-	-	-	-	-
Operating loss	-	-	(238)	(3,191)	(411)	-	(3,840)	-	(3,840)
Finance costs	-	-	-	-	-	-	-	-	-
Additions to non-current assets (other than financial instrument and deferred tax assets)	-	-	-	-	1	-	1	-	1
Depreciation/ impairment	-	-	-	144	-	-	144	-	144
Total assets	-	-	2,864	379	536	-	3,779	-	3,779

Revenue from external customers is after elimination of inter-segment sales. The amount eliminated attributable to consumer products segment from UK to France is US$ Nil (30 June 2012: US$340,000) and from Hong Kong to the PRC is US$374,000 (30 June 2012: US$38,000).

Sales between segments are carried out at mutually agreed terms.

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

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

A reconciliation of LBIT for reportable segments of Group's continuing operations to profit before taxation and discontinued operations is provided as follows:

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
LBIT	(1,193)	(5,095)
Unallocated expenses	(3,410)	(3,295)
Interest income	201	145
Share of profits/(losses) of joint ventures	11,778	13,658
Finance costs	(726)	(602)
Profit before taxation and discontinued operations	6,650	4,811

As at 30 June 2013, total non-current assets other than investment in joint ventures and deferred tax assets located in the PRC, France and Hong Kong were US$ 4,975,000 (30 June 2012: US$21,261,000), US$ Nil (30 June 2012: US$1,000) and US$ 123,000 (30 June 2012: US$75,000) respectively.

5 Other net operating income

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Continuing operations:		
Interest income	201	145
Net foreign exchange gains/(losses)	336	(38)
Other operating income	3	33
Other operating expenses	(1)	(39)
	539	101

6 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Continuing operations:		
Amortisation of leasehold land	18	18
Cost of inventories recognised as expense	8,479	5,516
Depreciation on property, plant and equipment	527	853
Employee benefit expenses	7,377	6,906
Operating lease rentals in respect of land and buildings	193	272
Research and development expenses	3,174	1,247

Notes To The Condensed Interim Accounts

7 Finance costs

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Continuing operations:		
Interest expense on bank loans	451	368
Interest expense on amount due to an intermediate holding company	41	-
Guarantee fee on bank loan	234	234
	726	602

8 Taxation charge

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Continuing operations:		
Current taxation	-	-
Deferred taxation	711	561
Taxation charge	711	561

(a) The Group has no estimated assessable profit in Hong Kong, China and France for the period (30 June 2012: Nil).

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

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

Notes To The Condensed Interim Accounts

9 Results and cash flows of discontinued operations

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

The results and cash flows of the discontinued operations are set out below. The 2012 comparative figures in the consolidated income statement, which included the discontinued operation in consumer products operation in the UK, have also been reclassified to conform to the current period presentation.

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Revenue, service income and other income	(104)	1,167
Expenses	(1,874)	(5,007)
Loss before taxation from discontinued operations	(1,978)	(3,840)
Taxation charge	-	-
Loss for the period from discontinued operations	(1,978)	(3,840)
Cash flow from discontinued operations		
Net cash flows from operating activities	(636)	114
Net cash flows from investing activities	-	9
Net cash flows from financing activities	-	-
Net cash flows	(636)	123

Notes To The Condensed Interim Accounts

10 Earnings/(losses) per share

(a) Basic earnings/(losses) per share

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

	Six months ended 30 June	
	2013	2012
Weighted average number of ordinary shares in issue	52,050,520	51,810,058
Profit/(loss) for the period attributable to equity holders of the Company		
- Continuing operations (US$'000)	4,686	3,062
- Discontinued operations (US$'000)	(1,408)	(3,720)
	3,278	(658)
Earnings/(losses) per share attributable to equity holders of the Company		
- Continuing operations (US$)	0.0900	0.0591
- Discontinued operations (US$)	(0.0270)	(0.0718)
	0.0630	(0.0127)

(b) Diluted earnings/(losses) per share

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

	Six months ended 30 June	
	2013	2012
Weighted average number of outstanding ordinary shares in issue	52,050,520	51,810,058
Adjustment for share options	781,313	762,626
	52,831,833	52,572,684
Profit/(loss) for the period attributable to equity holders of the Company		
- Continuing operations (US$'000)	4,686	3,062
- Discontinued operations (US$'000)	(1,408)	(3,720)
	3,278	(658)
Diluted earnings per share for profit from continuing operations attributable to equity holders of the Company (US$ per share)	0.0887	0.0582

Notes To The Condensed Interim Accounts

10 Earnings/(losses) per share (Continued)

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

	Six months ended 30 June	
	2013	2012
Diluted earnings per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company (US$ per share)	0.0620	(0.0127)

Diluted losses per share from discontinued operations for the periods ended 30 June 2013 and 2012 were the same as the basic losses per share from discontinued operations since the share option had anti-dilutive effect.

11 Property, plant and equipment

	Six months ended 30 June	
	2013 US$'000	2012 US$'000
Net book value as at 1 January	3,344	4,550
Additions	329	218
Disposal	(1)	-
Depreciation for the period	(527)	(997)
Exchange differences	43	59
Net book value as at 30 June	3,188	3,830

12 Investment in joint ventures

	30 June 2013 US$'000	(Restated) 31 December 2012 US$'000
Unlisted shares	61,872	50,479
Share of undistributed post acquisition reserves	48,966	59,073
	110,838	109,552

Particulars regarding the principal joint ventures are set below:

Name	Place of establishment	Nominal value of issued ordinary share capital/ registered capital	Equity interest attributable to the Group	Type of legal entity	Principal activities
Nutrition Science Partners Limited	Hong Kong	HK$20,000	50%	Limited liability company	Research and development of pharmaceutical products
Shanghai Hutchison Pharmaceuticals Limited	The PRC	RMB229,000,000	50%	Limited liability company	Manufacture and distribution of TCM products
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited	The PRC	RMB200,000,000	40%	Limited liability company	Manufacture and distribution of TCM products

12 Investment in joint ventures (Continued)

The following amounts represent total assets and total liabilities, and sales and results of the joint ventures operating in China Healthcare operating segment ("China Healthcare JVs") and Drug R&D operating segment ("R&D JVs") and the Group proportionate share of interests.

	JV (100%)		JV (Group's interest)	
	For the period ended 30 June 2013 US$'000	For the period ended 30 June 2012 US$'000	For the period ended 30 June 2013 US$'000	For the period ended 30 June 2012 US$'000
Revenue				
- China Healthcare JVs	225,926	183,914	112,963	91,957
- R&D JVs	164	132	164	132
	226,090	184,046	113,127	92,089
Profit/(loss) after tax				
- China Healthcare JVs	32,115	27,338	15,975	13,669
- R&D JVs	(8,379)	(11)	(4,197)	(11)
	23,376	27,327	11,778	13,658

	JV (100%)		JV (Group's interest)	
	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Total assets				
- China Healthcare JVs	313,892	254,068	156,946	127,034
- R&D JVs	56,516	60,202	28,456	30,202
	370,408	314,270	185,402	157,236
Total liabilities				
- China Healthcare JVs	147,381	98,900	73,690	49,450
- R&D JVs	4,725	35	2,483	35
	152,106	98,935	76,173	49,485

13 Trade receivables

	30 June 2013 US$'000	(Restated) 31 December 2012 US$'000
Trade receivables from third parties	11,864	6,757
Trade receivables from related parties (note 19(b))	1,689	2,751
	13,553	9,508

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

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

Notes To The Condensed Interim Accounts

14 Share capital

(a) Authorised and issued share capital

	Number of shares of US$1 each	Nominal amount US$'000
Authorised:		
As at 1 January 2012, 30 June 2012, 1 January 2013 and 30 June 2013	75,000,000	75,000

	Number of shares	US$'000
Issued and fully paid:		
As at 1 January 2012	51,743,153	51,743
Issue of shares under the Company's share option scheme (note)	243,320	243
As at 30 June 2012	51,986,473	51,986
As at 1 January 2013	52,048,448	52,048
Issue of shares under the Company's share option scheme (note)	3,000	3
As at 30 June 2013	52,051,448	52,051

Note:

Issue date	9 January 2012	14 June 2012	26 February 2013
Number of ordinary share of US$1 each allotted and issued by the Company	51,212	192,108	3,000
Issue price (£)	£1.09	£1.26	£1.535
Aggregate cash consideration received (US$'000)	86	377	7
Weighted average share price at the exercise date (£)	£3.68	£3.98	£4.40

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

Notes To The Condensed Interim Accounts

14 Share capital (Continued)

(b) Share option schemes

(i) Share option scheme of the Company (the "HCML Share Option Scheme")

The following share options were outstanding under the HCML Share Option Scheme as at 30 June 2013:

Name or category of participants	Effective date of grant of share options	Exercise period of share options	Exercise price of share options	Number of shares subject to the options
Directors				
Christian Hogg	19 May 2006 (note (i))	On Admission to 3 June 2015	£1.090	768,182
Johnny Cheng	25 August 2008 (note (iii))	From 25 August 2008 to 24 August 2018	£1.260	64,038
Employees in aggregate	19 May 2006 (note(i))	On Admission to 3 June 2015	£1.090	76,818
	11 September 2006 (note (ii))	From 11 September 2006 to 18 May 2016	£1.715	26,808
	18 May 2007 (note (iv))	From 18 May 2007 to 17 May 2017	£1.535	40,857
	28 June 2010 (note (iii))	From 28 June 2010 to 27 June 2020	£3.195	102,628
	1 December 2010 (note (iii))	From 1 December 2010 to 30 November 2020	£4.967	177,600
	24 June 2011 (note (iii))	From 24 June 2011 to 23 June 2021	£4.405	150,000
				1,406,931

Notes To The Condensed Interim Accounts

14 Share capital (Continued)

(b) Share option schemes (Continued)

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

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

	2013		2012	
	Average exercise price in £ per share	Number of options	Average exercise price in £ per share	Number of options
As at 1 January	2.22	1,459,931	2.06	1,765,226
Exercised	1.54	(3,000)	1.22	(243,320)
Lapsed	4.97	(50,000)	-	-
As at 30 June	2.12	1,406,931	2.19	1,521,906

The Company has no legal or constructive obligation to repurchase or settle the share options in cash. Save as mentioned above, no other share options under the HCML Share Option Scheme were granted, cancelled, exercised or lapsed during the six months ended 30 June 2013.

Notes:

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

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

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

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

(v) As at 30 June 2013, the fair value of share options in connection with the 1,406,931 share options outstanding as at the same date remain unvested was amounting to £121,000 (equivalent to US$185,000). The amount is to be recognised as expense of the Group over the remaining vesting periods of the relevant share options as mentioned in the note (iii) above. The amount recognised as expenses for the period ended 30 June 2013 amounted to US$122,000 (30 June 2012: US$240,000).

Notes To The Condensed Interim Accounts

14 Share capital (Continued)

(b) Share option schemes (Continued)

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

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

	Effective date of grant of share options						
	19 May 2006	11 September 2006	18 May 2007	25 August 2008	28 June 2010	1 December 2010	24 June 2011
Value of each share option	£1.546	£0.553	£0.533	£0.569	£1.361	£1.995	£1.841
Significant inputs into the valuation model:							
Exercise price	£1.090	£1.715	£1.535	£1.260	£3.195	£4.967	£4.405
Share price at effective grant date	£2.5050	£1.7325	£1.5400	£1.2600	£3.1500	£4.6000	£4.3250
Expected volatility (notes (i) to (iv))	38.8%	38.8%	40.0%	35.0%	49.9%	48.4%	46.6%
Risk-free interest rate	4.540%	4.766%	5.098%	4.700%	3.340%	3.360%	3.130%
Expected life of options	1.2 to 3.9 years	3.4 to 5.3 years	3.9 to 5.7 years	7.1 to 8.0 years	6.25 years	6.25 years	6.25 years
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%

Notes:

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

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

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

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

14 Share capital (Continued)

(b) Share option schemes (Continued)

(ii) Share option scheme of a subsidiary – Hutchison MediPharma Holdings Limited ("HMHL") (the "HMHL Share Option Scheme")

The following share options were outstanding under the HMHL Share Option Scheme as at 30 June 2013:

Category of participants	Effective date of grant of share options	Exercise period of share options	Exercise price of share options	Number of shares subject to the options
Employees in aggregate	6 August 2008 (note (i))	From 6 August 2008 to 5 August 2014	US$1.28	1,233,000
	5 October 2009 (note (i))	From 5 October 2009 to 4 October 2015	US$1.52	234,000
	3 May 2010 (note (i))	From 3 May 2010 to 2 May 2016	US$2.12	300,000
	2 August 2010 (note (i))	From 2 August 2010 to 1 August 2016	US$2.24	191,000
	22 November 2010 (note (i))	From 22 November 2010 to 21 November 2016	US$2.36	240,000
	18 April 2011 (note (i))	From 18 April 2011 to 17 April 2017	US$2.36	541,445
	17 October 2012 (note (i))	From 17 October 2012 to 16 October 2018	US$2.73	299,120
				3,038,565

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

	2013		2012	
	Average exercise price in US$ per share	Number of options	Average exercise price in US$ per share	Number of options
As at 1 January	1.87	3,144,505	1.73	4,050,607
Granted	-	-	-	-
Lapsed	2.11	(105,940)	1.60	(825,090)
As at 30 June	1.87	3,038,565	1.76	3,225,517

The Group has no legal or constructive obligation to repurchase or settle the share options in cash. Save as mentioned above, no other share options under the HMHL Share Option Scheme were granted, cancelled or exercised or lapsed during the six months ended 30 June 2013.

14 Share capital (Continued)

(b) Share option schemes (Continued)

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

Notes:

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

(ii) As at 30 June 2013, the fair value of share options in connection with the 3,038,565 share options outstanding as at the same date remain unvested was amounting to US$141,000. The amount is to be recognised as expense of the Group over the remaining vesting periods of the relevant share options as mentioned in the note (i) above. The amount recognised as expenses for the period ended 30 June 2013 amounted to US$89,000 (30 June 2012: US$241,000).

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

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

Note:

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

15 Trade payables

	30 June 2013 US$'000	(Restated) 31 December 2012 US$'000
Trade payables to third parties	307	1,508
Trade payable to a related party (note 19(b))	1,647	1,675
	1,954	3,183

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

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

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

16 Bank borrowings

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

All short-term bank loans are unsecured and interest bearing, denominated in RMB and Hong Kong dollars and the carrying amount of these bank loans approximates their fair values.

17 Convertible preference shares

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

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

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

Notes To The Condensed Interim Accounts

18 Notes to condensed consolidated statement of cash flows

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

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
Profit for the period	3,961	410
Adjustments for:		
Taxation charge	711	561
Share-based compensation expenses	211	481
Amortisation of leasehold land	18	18
Provision for inventories	148	1,198
Depreciation on property, plant and equipment	527	997
Loss on disposal of property, plant and equipment	1	-
Interest income	(201)	(145)
Finance costs	726	602
Share of profits from joint ventures	(11,778)	(13,658)
Dividends received from joint ventures	11,308	3,154
Exchange differences	146	(19)
Operating profit/(loss) before working capital changes	5,778	(6,401)
Changes in working capital:		
- decrease in inventories	246	912
- (increase)/decrease in trade receivables	(4,045)	1,592
- decrease/(increase) in other receivables and prepayments	638	(1,167)
- decrease in trade payables	(1,229)	(2,897)
- increase in other payables, accruals and advance receipts	8	2,967
- decrease in deferred income	-	(2,294)
- increase in amount due to immediate holding company	223	988
- increase in amount due from related parties	(1,563)	-
- decrease in amount due to a fellow subsidiary	(86)	(168)
Net cash used in operations	(30)	(6,468)
Attributable to:		
Continuing operations	606	(6,582)
Discontinued operations	(636)	114
	(30)	(6,468)

Notes To The Condensed Interim Accounts

19 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:

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
(a) Transactions with related parties:		
Sales of goods to		
- Fellow subsidiaries	3,393	3,406
Provision of research & development services to		
- Joint venture	1,929	-
Purchase of goods from		
- A non-controlling shareholder of a subsidiary	3,010	2,249
Rendering of marketing services from		
- Fellow subsidiaries	211	401
Management service fee to		
- An intermediate holding company	475	457
Guarantee fee on bank loan to		
- The ultimate holding company	234	234
Interest expenses on amounts due to		
- An intermediate holding company	41	-

No transactions have been entered into with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel).

Notes To The Condensed Interim Accounts

19 Significant related party transactions (Continued)

	30 June 2013 US$'000	31 December 2012 US$'000
(b) Balances with related parties included in:		
Amounts due from related parties:		
- Joint ventures (note (i))	2,694	1,194
- A fellow subsidiary (note (i))	63	-
	2,757	1,194
Trade receivables from related parties:		
- Fellow subsidiaries (note (i))	1,689	2,751
Trade payable due to a related party:		
- A non-controlling shareholder of a subsidiary (note (i))	1,647	1,675
Amounts due to related parties:		
- Immediate holding company (note (iii))	6,440	6,217
- A fellow subsidiary (note (i))	-	86
	6,440	6,303
Non-controlling shareholders:		
- Loans from non-controlling shareholders of subsidiaries (note (ii))	5,379	5,379

Notes:

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

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

(iii) Balance with immediate holding company is unsecured, interest bearing and repayable on demand. The carrying values of balance with immediate holding company approximate its fair value due to its short-term maturity.

Information For Shareholders

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

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