HUTCHISON CHINA MEDITECH LTD

Hutchison China MediTech Limited ("Chi-Med")
(AIM: HCM)

Final Results for the year ended 31 December 2008

Strong operating performance. Continued positive outlook.

London, Monday, 16 March 2009: Chi-Med today announces its final results for the year ended 31 December 2008.

Group Results

- Sales up 34% to $87.0 million (2007: $65.1 million). Growth across all divisions. Particularly strong organic growth in the China Healthcare division.
- Operating loss reduced to $14.2 million (2007: -$14.8 million) reflecting profit growth in China Healthcare offset by higher research and development and consumer products investment.
- Net loss attributable to equity holders of Chi-Med of $17.8 million (2007: -$17.2 million).

China Healthcare Division

- Sales up 31% to $80.7 million (2007: $61.4 million). Operating profit up 34% to $9.1 million (2007: $6.8 million).
- Net profit after tax attributable to equity holders of Chi-Med up 30% to $5.9 million (2007: $4.5 million).
- Due diligence continues on potential acquisitions and joint ventures.

Drug R&D Division

- Sales up 156% to $2.3 million (2007: $0.9 million) from strategic partnership income.
- Operating loss of $15.4 million (2007: -$10.1 million) reflecting planned investment.
- Expansion of strategic partnership in oncology with Eli Lilly and Company.
- New strategic partnership in inflammation with Ortho-McNeil-Janssen Pharmaceuticals, Inc.
- Group's lead drug candidate HMPL-004 US Phase II Crohn's disease trial to report in mid-2009.
- Three novel small molecule compounds in late preclinical development. 66 global patent applications filed by the end of 2008.

Consumer Products Division

- Sen sales up 41% to $4.1 million (2007: $2.9 million). 17% like-for-like sales growth in existing London shops.
- Distribution in 125 Marionnaud shops in France and three new London shops opened.

Commenting, Christian Hogg, Chi-Med CEO, said:

"2008 was another good year for Chi-Med with continued strong growth and increased profitability in our China Healthcare business and substantial further progress in our Drug Research and Development business. We also saw strong like-for-like growth in our Consumer Products Division, coupled with new shop openings and expansion of distributions through third parties as well as the Hutchison Whampoa Group retail chain network.

Our China Healthcare Division has now more than doubled its sales and increased profit fifteen-fold in the last three years. Its strength is based on the reputation of its leading brands, quality products, high calibre operations and extensive distribution network. We are a scale provider in the China healthcare market, manufacturing and selling over 4 billion doses of medicine in 2008. We believe this market, and particularly the substantial Traditional Chinese Medicine ("TCM") segment, will continue to grow strongly. Coupled with the healthcare policy of the Chinese Government, drug reimbursement system and support for TCM, we are well positioned to continue the rapid, profitable growth of these Renminbi-denominated China assets, and we see increasing potential for value-creating acquisitions.

Our Drug R&D Division has again validated its standing by expanding its strategic alliance with Eli Lilly and Company ("Eli Lilly") and signing a new inflammation partnership with Ortho-McNeil-Janssen Pharmaceuticals, Inc. ("J&J"), part of the Johnson & Johnson family of companies. Both of these ventures are starting to generate valuable revenue streams. In parallel, our three proprietary small molecule preclinical projects are all progressing quickly towards human trials. Patient recruitment in our biggest trial, the HMPL-004 US Phase II trial on Crohn's disease, has now been completed on schedule, and we expect to report these trial results in mid-2009 on this important potential therapy.

Our Consumer Products Division, the Sen group of companies located in the United Kingdom ("UK"), France and Hong Kong (collectively "Sen") successfully bucked the downward trend in the United Kingdom retail market with 17% like-for-like sales growth. It also opened three new London shops and launched a range of its products through 125 Marionnaud shops in France. It remains an early stage business, but its performance highlights the consumer's demand for Sen's products and services, thereby underpinning our confidence for the future.

While we are fully aware of the pressures brought about by the global economic downturn, we believe our strong cash position, low levels of debt and business momentum enable us to look forward to further strong performance for Chi-Med in 2009."

Ends

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About Chi-Med

Chi-Med is the holding company of a pharmaceutical and healthcare group based primarily in China and was admitted to trading on the Alternative Investment Market of the London Stock Exchange in May 2006. It is focused on researching, developing, manufacturing, and selling pharmaceuticals, health supplements and other consumer health and personal care products derived from TCM and botanical ingredients.

Chi-Med is majority owned by Hutchison Whampoa Limited, an international company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Results are reported in US dollar currency unless stated otherwise.

CHAIRMAN'S STATEMENT

2008 has been another year of considerable progress across the Chi-Med group (the "Group"). Group sales grew 34% to $87.0 million (2007: $65.1 million), primarily reflecting the strong China Healthcare Division, while the net loss attributable to Chi-Med shareholders widened slightly to $17.8 million (2007: -$17.2 million), this reflected the planned increase in investment in our Drug Research and Development business and consumer products expansion.

Strategic Overview

Our overall strategy for Chi-Med remains the same as in previous years. We apply modern science and business practice to TCM, in order to realise the substantial potential of novel TCM-based products, both for the China and the global pharmaceutical and consumer products markets. Chi-Med's goal continues to be the building of a unique and well-balanced portfolio of businesses that enables us to manage both the pace of growth and the risks associated with it.

China Healthcare Division – We continue to see particularly strong opportunity in the China healthcare market, not least because it is supported by the Chinese Government's healthcare policy. With our range of fast growing and profitable products, we continue to target organic growth of about 20% a year for the foreseeable future.

Our China Healthcare strategy is to combine organic growth with selective acquisitions and joint ventures. We have a strong track record of value creation on our China healthcare acquisitions to date. An example of this is our joint venture, Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS"), which since its establishment in early 2005 is expected in 2009 to achieve full pay back of our initial $15.1 million cash investment, through dividends and shareholder loan repayments. We continue to benefit from the infrastructure, reputation, experience and depth of connections of Hutchison Whampoa in China to identify and evaluate potential value-creating acquisitions and joint ventures.

Drug R&D Division – TCM, with its botanical origins, has a history that is centuries old and has demonstrated its efficacy and safety under modern scientific scrutiny over several decades. We see it as a major and substantially untapped reservoir of novel drugs for the global pharmaceutical market. Our Drug R&D Division is dedicated to using the highest standards of modern science to identify and develop both botanical substances and small molecule compounds derived from TCM, which can deliver new treatments, especially in the areas of oncology and auto-immune diseases.

In 2008 we established a new holding company structure and an employee share option scheme primarily for the Hutchison MediPharma group, Chi-Med's wholly owned Drug R&D Division. The purpose of this move was to align better the interests of our team of pharmaceutical executives and scientists with the interests of Chi-Med shareholders. The recognised quality of our Drug R&D business is reflected both by the range of strategic partnerships we engage in, on which we earn upfront and/or maintenance payments as well as success-based milestone payments; and the progress of our own novel drug candidates in the oncology and auto-immune areas. Last year we expanded our relationship with Eli Lilly and signed a new partnership in inflammation with J&J. All these give us great confidence that we have a best-in-class operation with significant potential, and we await our important US Phase II Crohn's disease trial results with HMPL-004 in the middle of this year.

Consumer Products Division – Sen delivered impressive like-for-like sales growth and, during 2008, we took action on the second strand of its strategy - building third party distribution. We leveraged synergy with Hutchison Whampoa's global chain of over 8,300 health and beauty shops, of which over 1,600 are prestige/luxury focused and consistent with Sen's brand image. We launched a range of Sen products through an initial 125 Marionnaud shops in France and the initial results are encouraging.

Corporate Governance

We maintain high standards of corporate governance to build the long-term interests of the Company and maximise the long-term returns to shareholders.

During 2008 the Chi-Med Board remained largely unchanged apart from the departure of Mr. Patrick Wan and the appointment of Mr. Shigeru Endo. I would like to take this opportunity to thank Mr. Wan for his involvement over the past years and wish him well in his continued career within the Hutchison Whampoa Group. We are very pleased to have Mr. Shigeru Endo, Chief Executive Officer of Hutchison Whampoa Japan K.K. join us as a Non-executive Director. As a group, our Independent Non-executive Directors bring a wealth of expertise on AIM and growth businesses, corporate governance, and pharmaceutical research and development. They have and continue to make a valuable contribution to the evolution of Chi-Med and I very much appreciate their involvement and wish to thank them all for their efforts.

Dividend

The Board has decided not to recommend a dividend for the year ended 31 December 2008.

Over the coming years, Chi-Med will continue making significant investments in its businesses, in which we see substantial opportunity to enhance shareholder value.

The substantial progress that Chi-Med has made is the result of the quality and commitment of our strong management team and all our employees and partners. My thanks and deep appreciation goes to them all.

Simon To

Chairman, 13 March 2009

CHIEF EXECUTIVE OFFICER'S STATEMENT

Group Results

The Group performed as expected in 2008 with overall sales up 34% to $87.0 million. This reflected continued strong organic growth in our China Healthcare Division where sales grew 31% to $80.7 million; a step-up in revenues to $2.3 million in our Drug R&D Division, from its strategic collaborations; and a 41% increase in Sen's sales, our Consumer Products Division.

The China Healthcare operating profit increased 34% to $9.1 million (2007: $6.8 million). Each of its three operating companies is well established and performing ahead of the general China market thanks to quality management, established brands and products, and increasing operational scale and distribution. Coupled with the Chinese Government's recent healthcare

reforms, our China Healthcare Division has the ability to sustain substantial profitable growth and build its position as an important player in the overall China healthcare market.

Our Drug R&D business, Hutchison MediPharma Limited ("HMPL"), also made further good progress. Its lead drug candidate, HMPL-004, awaits Phase II trial results in the middle of this year, and it has added two novel small molecule compounds in late pre-clinical development. It has also built on its strategic partnerships, which balance financial risk in discovery and development stages, generate increasing third-party income streams and augment our in-house know-how. During 2008 we expanded our collaborations with Eli Lilly and formed a new partnership with J&J, as well as continuing to build our relationship with Merck Serono (previously known as Merck KGaA) ("Merck"). 2008 was, as planned, the peak cash burn for HMPL in its development; and despite its revenue growth, its operating loss widened from $10.1 million to $15.4 million.

Investment continues in the expansion of Sen albeit on a relatively small scale. In the UK, it grew like-for-like sales by 17% and, despite three new shop openings, narrowed its operating loss to $1.8 million (2007: -$2.1 million). Sen also expanded into France, incurring start-up costs of $0.8 million (2007: Nil), so that its overall operating loss widened to $2.6 million (2007: -$2.1 million).

Group overhead costs were $5.4 million (2007: $4.3 million) reflecting the tight cost control with the head office management team and operations; legal, professional, and management services fees associated with being a listed company; and due diligence fees on potential acquisition and joint venture projects.

The Group's overall operating loss was $14.2 million, compared to $14.8 million in 2007.

Our tax charge was $1.5 million (2007: $0.8 million) reflecting the growth in China Healthcare profitability, but benefiting from the low corporate income tax rates of 12.5% on both HBYS and Shanghai Hutchison Pharmaceuticals Limited ("SHPL"). These rates which are approximately 50% of normal China enterprise income tax rates are the result of tax holidays granted at the start of these joint ventures. These holidays are set to expire in 2009; but both SHPL and HBYS have recently been granted the High and New Technology Enterprise status. As such, they will receive preferential tax status until the end of 2010, with an enterprise income tax rate of 15%. It is expected that our China Healthcare Division's corporate tax expense will be reduced by about $0.7 million in 2010. The High and New Technology Enterprise status is renewable beyond 2010 subject to reapplication and approval. In addition to enterprise income tax in China, we now pay 5% withholding tax on dividends derived from post 2007 earnings remitted outside China, the accrual for such items totalled $0.3 million (2007: Nil).

Finance costs of $0.5 million (2007: $0.3 million) were incurred primarily as a result of borrowing in SHPL and Hutchison Healthcare Limited ("HHL"). However, the Group remains relatively un-leveraged with a gearing ratio of only 10.1% (2007: 7.3%).

Profit attributable to minority interests increased to $1.5 million (2007: $1.2 million) as HBYS continued to improve performance significantly.

In total, the Group's net loss attributable to equity holders increased slightly to $17.8 million from $17.2 million in 2007.

The Group maintains a strong balance sheet and ended the year with net assets of $84.4 million, including cash and cash equivalents totalling $38.2 million (2007: $53.3 million). The Group has no debt outside of the China Healthcare Division. As at the end of 2008, the China Healthcare Division held bank loans totalling $7.6 million or 0.8 times 2008 EBITDA. The strong cash position and low levels of debt put Chi-Med in a good position to continue aggressive execution of strategies in our three core Divisions.

China Healthcare

Market Overview

We continue to believe that the China healthcare market, and particularly the TCM segment, will grow strongly and our China Healthcare Division remains well positioned to deliver sustained and profitable growth. The Chinese Government's healthcare policy and reform, drug reimbursement system and position on TCM all appear to benefit the Group's operations.

Chinese Government Healthcare Policy and Reform

In January 2009, the China State Council approved in principle the final draft of its healthcare reform programme which laid out Government spending of RMB 850 billion ($124.3 billion) over the next three years, with an objective of providing accessible and affordable healthcare to the country's 1.3 billion population.

China's Basic Medical Insurance System ("BMIS") is a nationwide system, which currently includes four schemes, the basic medical insurance schemes for urban employees; urban residents in general targeting primarily the unemployed; the rural cooperative medical insurance scheme; and medical aid for the poor in both rural and urban areas. According to the National Bureau of Statistics of China, approximately 223 million people were enrolled in the basic medical insurance schemes for urban employees and urban residents as at the end of 2007 (2006: approximately 160 million). We believe that this 39% growth in enrolment is an important driver behind the China healthcare industry growth of approximately 20% per annum.

Under the reform, the Chinese Government plans to broaden basic medical insurance coverage of both rural and urban population to at least 90% of the population by 2011. It is expected that each person covered by the basic medical insurance scheme for urban residents and the new rural cooperative medical insurance scheme would receive an annual subsidy of RMB 120 to help pay healthcare costs.

In order to make healthcare more accessible to rural communities, the Chinese Government will start investing in 2009 to overhaul the rural medical care infrastructure that will provide services. As reported by China Daily in January 2009, the Minister of Health said that the central budget will allow for the building of about 2,000 county-level hospitals in the next three years with the goal to ensure that each of China's 1,600 counties has at least one hospital of a national standard.

Regulatory/Reimbursement Framework

Currently the authorities regularly review all drugs in China and regulate reimbursement by assigning each drug a classification on the National Medicine Catalogue ("NMC") and Provincial Medicine Catalogues ("PMC"). Drugs most commonly included on the NMC and PMC, and thereby reimbursed, are those that are necessary clinical treatments, which have wide application, good effect, and are low cost. Under the healthcare reforms, starting from 2009, the Chinese Government will also build a basic medicine system that includes a catalogue, the Basic Medicine

Catalogue ("BMC"), of necessary drugs produced and distributed under its control and supervision. The BMC is expected to reduce the number of reimbursed drugs from over 2,000 (773 western medicine and 1,260 TCM were included in the 2004 version) to about 300, according to a PiperJaffray analyst report on China healthcare of January 2009. Chi-Med's core products are all either on the NMC or PMC and we remain confident that this will continue under the new BMC system.

With the expansion of the BMIS, we believe that the demand for drugs on the BMC will increase significantly. In addition, the competition to gain access to the BMC should also increase. The Group is very well placed in this new environment as our over-the-counter ("OTC") products have the high scale and low cost of production needed to ensure we are competitive in generic BMC drug tenders. Our main prescription drugs are proprietary and therefore not subject to tender.

Chinese Government position on TCM

As in the past several years, the Chinese Government continued to encourage the development and use of TCM throughout 2008. Latest Chinese Government data (up to 2007) again shows continued strong performance of the TCM drug industry relative to the chemical and biotech drug industry. Based on data published by Chinagate.com.cn in April 2008, TCM grew by 24.1% to RMB 169.1 billion ($22.3 billion) in 2007 (2006: RMB 136.3 billion), once again slightly ahead of the chemical and biotech drug industry, which grew 23.8% to RMB 374.1 billion ($49.4 billion) in 2007 (2006: RMB 302.3 billion).

TCM is a highly sophisticated and developed sector in China that is a generally lower cost and effective means of healthcare. As the Chinese Government seeks to expand state-funded healthcare coverage across China, we believe that it will continue to support TCM as it is clearly in its best interests to do so.

China Healthcare Division performance

Chi-Med's China Healthcare Division sales grew 31% to $80.7 million (2007: $61.4 million) and operating profit grew 34% to $9.1 million (2007: $6.8 million). Net profit after tax attributable to Chi-Med equity holders grew 30% to $5.9 million (2007: $4.5 million).

Since our IPO in mid-2006, our China Healthcare Division has blossomed with compound annual growth in sales of 29%, from $37.2 million in 2005 to $80.7 million last year, and operating profit increasing over 15 times from $0.6 million in 2005 to $9.1 million in 2008.

Chi-Med's China Healthcare Division now employs a total of over 3,700 staff, about 1,200 of these in two large-scale factories in Guangzhou and Shanghai and about 2,300 in sales, marketing, and distribution operations in over 200 cities in China, up from 1,800 in 2007.

To illustrate the scale of our operations in China, Chi-Med manufactured and sold over 4 billion doses of medicine last year and combined domestic sales by HBYS, SHPL and HHL in 2008 were $155.8 million (2007: $123.6 million) of which Chi-Med, under the accounting principles of the International Financial Reporting Standards, consolidates 50% of the two jointly controlled entities (HBYS and SHPL) and 100% of HHL domestic sales. Our product portfolio is well diversified with 91% of the Group's China Healthcare Division sales in 2008 coming from eight core products of which four are OTC; three prescription; and one health food.

OTC Drugs

OTC drug sales through HBYS increased 27% in 2008 to $55.4 million (2007: $43.6 million), all of which was organic growth. Since HBYS was formed in mid-2005 compound annual sales growth has averaged 31%, which we believe, makes HBYS one of the fastest growing, large-scale OTC drug businesses in China.

HBYS's OTC distribution network grew significantly in 2008 and now has about 1,500 sales and marketing staff up from 1,200 in 2007, covering all cities with a population over 1 million. These staff co-operate with the over 280 local distributors in all provinces of China and manage local retail activities and marketing programmes. On a regional level, HBYS made major progress in the lucrative and previously relatively un-covered east China market, as well as in north-central China. Sales in these regions grew 31% to $7.2 million (2007: $5.5 million) and 28% to $14.2 million (2007: $11.1 million) respectively. Outside these two above average markets, HBYS growth in 2008 was spread evenly across China.

As in recent years, the five major HBYS products dominated sales, accounted for 90% of total HBYS sales (2007: 92%). The fastest growing of these products were the anti-virals, Banlangen granules which grew 29% to $17.7 million (2007: $13.5 million) and Fu Fang Banlangen granules which grew 67% to $3.4 million (2007: $2.0 million). HBYS's largest product Fu Fang Dan Shen tablets for angina had another strong year with sales growth of 15% to $21.0 million (2007: $18.2 million). Beyond the top five products progress was made on the Baiyunshan brand herbal drink which grew 92% to $1.2 million (2007: $0.6 million).

In 2008, HBYS overcame challenges posed by increasing raw material and labour costs by instituting an aggressive cost control programme. An increase in product and intermediate material outsource production along with the effective establishment of Enterprise Resource Planning systems and procedures enabled HBYS to keep gross margins flat at 54.2% (2007: 54.4%).

As an OTC pharmaceuticals business, our core focus is on building awareness, credibility, and loyalty towards our Baiyunshan (meaning "white cloud mountain") brand. HBYS constantly strives to promote an image of social responsibility for the brand through community activities. In 2008, these included: expansion of the expired medicine exchange programme to many Chinese cities where consumers can bring expired medicine and exchange it for new Baiyunshan products for free; publishing the first "Social responsibility report for the China pharmaceutical industry"; being one of the first pharmaceutical companies to aid the Sichuan earthquake victims by providing cash, free medicine, and disease prevention programmes; coordinating the "Chengdu Announcement" together with Alzheimer's prevention associations, professionals, scholars and the local government to raise awareness of Alzheimer's disease; and, opening the Sheng Nong TCM garden in HBYS to the public for free.

These activities received broad scale media coverage on a national and regional level which, combined with conventional marketing activities, have continued to help build Baiyunshan brand market share and loyalty.

In research and development, HBYS made major progress in 2008 with a total of 14 projects receiving commitments for financial support totalling more than RMB 9 million from China State, Provincial, and local governments. These projects include research on new TCM technology

platforms, research and development on new TCM drugs and therapeutic areas, and construction of new Good Agricultural Practice sites in China. This year, HBYS was granted 17 patents by the China State Patent Bureau, and a further 7 submissions were made. The broad ranging technical innovation at HBYS was one of the factors helping it achieve High and New Technology Enterprise designation.

By the end of 2008, based on technical merit and competitive production costs, a total of 62 HBYS products were included in the NMC representing approximately 7.5% of the total 823 TCM product NMC reimbursement listings in China. HBYS also achieved strong results in open bidding to gain inclusion of products on various PMCs in order to receive reimbursement on a provincial level, with particular progress being made in Henan and Guangdong provinces.

Prescription Drugs

Prescription drug sales through SHPL grew 40% to $19.8 million in 2008 (2007: $14.1 million) all of which was organic from existing products. Since the establishment of SHPL in 2002 compound annual sales growth has averaged 19%, with particularly strong growth in the past two years now that SHPL's commercial operations are well established.

SHPL increased sales of its key cardiovascular prescription drug She Xiang Bao Xin pill ("SXBXP") by 38% to $15.8 million (2007: $11.5 million). In 2008, we focused on this product and have built very strong momentum behind it, which we expect to carry over into 2009. Encouragingly, we saw fast growth of our second product Dan Ning tablet (gallbladder) in which sales grew 62% to $2.9 million (2007: $1.8 million). Dan Ning's growth was spurred by the grant of a 20-year process and formula patent from the State Patent Bureau in mid-2007 and as a result allowed us to attain NMC inclusion and reimbursement status.

Regionally, SHPL continued to make progress in expanding beyond our historical Shanghai stronghold, which in 2008 represented 33% of sales (2007: 46% and 2006: 48%). Sales in markets outside Shanghai grew 70% during 2008 to $13.2 million (2007: $7.7 million). Importantly, a continued encouraging sign for SHPL in 2008 was that in-market consumption grew 56%, outpacing ex-factory sales growth of 40%, and signifying that distributor, hospital pharmacy and chain drugstore inventories were again reduced during the year, as they were in 2007. Sales in the hospital pharmacy channel as a percentage of total SHPL sales expanded to 74% (2007: 72%) and grew 60% versus 2007, which outpaced chain drugstore channel growth of 55%. This is to be expected as SHPL generally enters new markets through hospital pharmacy distribution and once the market is established, it will expand into surrounding chain drugstores.

Behind SHPL's strong performance were two important strategic activities. First, SHPL continued to build a powerful commercial team, which grew to over 800 sales and marketing staff by the end of 2008 (2007: approximately 600). These 800 staff are divided into four teams: Hospital Sales; Community Promotions; Commercial and Distribution Channel; and Patient Education and OTC. Tight discipline and effective organisational control, training, performance appraisal, and reward of these commercial teams have driven success. Secondly, SHPL continued to build strong China State, Provincial, and local government relationships and support. In addition it was designated a High and New Technology Enterprise and will enjoy preferential tax status.

On the production side of the business, SHPL gross margins increased to 68.2% in 2008 (2007: 64.6%) despite general inflationary pressure on production costs. Gross margins were improved

as we reaped the benefits of increased volume, a full year effect of the bidding price increases we secured on SXBXP in 2007 and tightened control on all inventories and production costs.

Health Supplements

Health supplement sales through our HHL joint venture grew 49% to $5.5 million in 2008 (2007: $3.7 million), and operating profit grew 22% to $0.3 million (2007: $0.2 million). This was the first full year of running the business after the discontinuation of a loss making product line in late-2007. As a result of this discontinuation, we continued carrying some overheads on HHL in 2008 to manage multiple elements of the product withdrawal from market. These costs, to an extent, suppressed operating profits in 2008 but have now been almost entirely removed, opening a pathway of improved operating profit performance on HHL in 2009.

In 2008, we focused on developing our profitable Zhi Ling Tong ("ZLT") infant nutrition brand which accounted for 100% of HHL's $5.5 million in sales in 2008. In partnership with our exclusive distributor of ZLT we have successfully developed a strong hospital and mother/baby store distribution model across China. In 2008, the number of hospitals and family planning clinics covered grew to over 400 (2007: less than 200); doctors recommending ZLT grew to over 3,100 (2007: approximately 1,100); and total mother/baby shop, drug store, and department store points of sale rose to over 3,700 (2007: approximately 2,300). Since this still represents relatively limited coverage of the China market, opportunities for ZLT and a very broad scale geographic expansion still exists.

HHL sells three ZLT licensed health food products. Sales of the largest, ZLT DHA capsules, an omega-3 product for use by pregnant and lactating women to promote brain and retinal development in babies, grew 40% to $3.9 million in 2008 (2007: $2.8 million). We believe that this is the only registered product of its type in China. Sales of the second product, ZLT Calcium powder for infant bone development, grew 77% to $1.5 million (2007: $0.8 million) as it benefited from the strong reputation and endorsement network built by ZLT DHA capsules. Sales of the third product, ZLT Probiotics powder, a new toddler immunity product whose raw materials are imported from Denmark, grew 69% to $0.1 million.

We are actively working to broaden the ZLT range of premium quality infant nutrition and health products and will expand the range further during 2009.

Acquisitions

We continue to appraise potential strategic acquisitions in the China healthcare market and believe good earnings enhancing opportunities exist.

Chi-Med is focusing primarily on deals with similar structure to SHPL and HBYS, which expand the capital of new joint ventures through a cash investment in return for an injection of assets by Chinese partners. We are generally targeting to take at least a 50% share in any new China joint ventures, and are seeking opportunities which are synergistic with our existing China Healthcare Division assets.

Drug Research & Development

HMPL is dedicated to transforming scientific discoveries into innovative therapies for cancer and auto-immune diseases.

We believe that HMPL is now generally accepted as one of the leaders in China's Pharmaceutical drug discovery arena. Our strategy continues to be for HMPL to build strategic alliances with multi-national pharmaceutical groups; identify global partners with which to co-develop our lead drug candidates; and advance our in-house preclinical programs into clinical proof-of-concept ("POC") studies taking advantage of China's low cost research and development structure and vast patient population.

During 2008, we took important actions designed to set up HMPL's business for the long term. In August, we established a stand-alone employee share option scheme in Hutchison MediPharma Holdings Limited ("HMHL"), Chi-Med's wholly owned subsidiary, which holds our 100% indirect shareholding in HMPL. It is our intention that this will replace the Chi-Med employee share option scheme as the sole share-based incentive programme for HMPL employees. An initial grant of 4,542,000 share options, or 15.14% of HMHL's current total of 30,000,000 issued shares was made to more than 60 senior and middle level employees of HMPL, to acquire existing shares in HMHL at an exercise price of $1.28 per share. This step towards standalone status for HMPL improves our flexibility to create and capture value by positioning HMPL as a "pure play" life science business with potential for direct external investment. This, we believe, strengthens the alignment of HMPL management and Chi-Med shareholders interests.

Drug R&D Division performance

Drug R&D revenue grew 156% to $2.3 million (2007: $0.9 million) reflecting up-front, maintenance, and milestone payments from HMPL's collaborations with Eli Lilly, J&J and Merck. Its operating loss rose to $15.4 million (2007: -$10.1 million) as a result of the planned increased investment in HMPL's discovery organisation and preclinical small molecule programmes (HMPL-011, HMPL-012 and HMPL-013), as well as the cost of its HMPL-004 global Phase II clinical trial programmes on Crohn's disease and ulcerative colitis ("UC").

Discovery Summary

During 2008, the discovery team selected two new high quality kinase candidates (HMPL-012 and HMPL-013) for development of cancer treatments. Together with HMPL-011, nominated in 2007, HMPL now has three Investigative New Drug ("IND") enabling preclinical programs ongoing simultaneously. These novel chemical entities were internally discovered at HMPL, synthetically produced, and are composed of a single chemical responsible for the perceived therapeutic effects.

In the auto-immune therapeutic area, HMPL-011 is a novel cytokine modulator that controls the production of pro-inflammatory cytokines and was advanced into development for rheumatoid arthritis and psoriasis. Good Manufacturing Practice production of the molecule was complete in early 2008, and IND enabling animal safety evaluation commenced in mid-2008. We expect completion of the full safety study reports by mid-2009, with IND submission for human trials shortly thereafter if warranted by the safety findings. Studies on mechanism of action and in vivo studies in preclinical animal models of HMPL-011 against other potential indications are also ongoing.

In the oncology therapeutic area, HMPL-012 entered preclinical development in 2008. HMPL-012 is a novel compound that inhibits multiple kinases crucial for tumour growth, apoptosis and invasion/metastasis. In animal efficacy studies, HMPL-012 demonstrated broad-spectrum anti-tumour activity via oral dosing. Its unique kinase profile provides a promising opportunity and potential therapeutic differentiation against existing products on the market. It is envisaged that

HMPL-012 could be used as a single agent or in combination with chemotherapies for the inhibition of tumour growth as well as invasion/metastasis.

HMPL-013 is another novel chemical entity and the second drug candidate discovered internally for tumour-growth inhibition via the VEGFR (vascular endothelial growth factor) target. It is differentiated from HMPL-012 and other marketed drugs in this class by its kinase selectivity in vitro and superior potency in vivo against a variety of human xenografts. We expect the completion of the IND-enabling animal safety studies by late-2009, with regulatory submission for human clinical trials immediately following this, if warranted by the safety findings.

Development Summary

HMPL-004, Treatment for Auto-immune Disorders

HMPL-004 is our lead drug candidate for treating inflammatory bowel diseases. It is currently in two clinical studies - a Phase II trial in the US for Crohn's disease and a global Phase IIb trial for UC.

The US Phase II trial is a multi-centre, double-blind, randomised, and placebo-controlled study in 100 male and female patients with active moderate Crohn's disease. The patient enrolment is now completed, and we expect the clinical trial outcomes by mid-2009. We are actively seeking global partners for Phase III development and beyond.

The global Phase IIb trial is a double-blind, randomised, and placebo-controlled study involving 210 patients in North America and Europe with mild-to-moderate UC. Building on the successful POC UC study conducted in China, the global trial assesses the efficacy and safety profile of HMPL-004 in a broad patient population and dose range. We anticipate finishing patient enrolment by the end of 2009.

HMPL-004 is an orally active, proprietary botanical product that acts on multiple targets in the pathogenesis of inflammation. It is a compound extracted from a Chinese herb under controlled conditions and its composition is well characterised. The anti-inflammation activity of HMPL-004 was originally identified in cell-based anti-inflammation screening at HMPL, and further confirmed in a variety of experimental animal models. During 2008, we continued to make scientific progress in understanding the drug's mechanism of action, control of its process of manufacture, and product quality in preparation for Phase III registration trials.

HMPL-002, Sensitizer for Cancer Chemo-Radiotherapy

HMPL-002, a sensitizer used concomitantly in chemo-radiotherapy for treating cancer, has been in Phase I clinical testing in the United States for patients with locally advanced head and neck cancer and a Phase II POC study in China for patients with inoperable stage IIIA/B non-small cell lung cancer ("NSCLC").

The POC study in China of the drug candidate compared the efficacy and safety profile of chemo-radiotherapy with concomitant HMPL-002 use with standard chemo-radiotherapy for NSCLC patients. Based on the data collected and analysed to date, it has been found that the endpoint in tumour objective response (Complete Response plus Partial Response) in the locally advanced NSCLC population (Intent to Treat patients: 88) was 73.2% (30/41) in the HMPL-002 group versus 70.2% (33/47) in the control group. It is clear that the initial analysis of the study results showed no conclusive advantage in "tumour response" with oral use of HMPL-002 with chemo-radiotherapy. In the study, HMPL-002 was found to be safe and well tolerated with the most common adverse

events being gastrointestinal. The progression free survival, median survival time for 1 and 3 years and time to progression are not available yet, as the one year follow-up of full patients is scheduled to complete in mid-2009.

Following this interim clinical result, we have decided to put clinical development of HMPL-002 on hold. A review of this decision will be made when both 1 and 3 year median survival data are available.

Strategic Partnerships:
A clear strand of HMPL's strategy is to seek strategic partnerships to help further enhance our discovery and development pipelines and to generate short-term revenue streams, as well as forming the basis for potential major long-term value creation through milestones and royalties on successful projects.

HMPL's first such partnership, a collaboration with Merck, has now practically concluded after reaching initial objectives. The discovery team yielded two novel hit molecules for which two milestone payments were received in 2008.

HMPL's collaboration with Eli Lilly continues to progress well and has been expanded. In late-2008 the discovery team delivered a candidate that met "lead" milestone criteria. It also developed a novel series of compounds for the same target, which Eli Lilly decided to include in the collaboration. HMPL received payments for both of these achievements and significant progress was also made for a second target, with candidate delivery expected during 2009. Building on the relationship, in November last year, HMPL and Eli Lilly expanded their 2007 collaboration by adding a new incremental program in the area of oncology.

In December 2008, one HMPL internally discovered preclinical project in the therapeutic area of inflammation was partnered out to J&J. HMPL will receive an up-front payment and J&J will support further research through success-based milestones payments as the project progresses. HMPL will also be entitled to worldwide royalties from sales of any products resulting from this collaboration.

Consumer Products
Since its launch in late-2002, Chi-Med's strategy for its Consumer Products Division, Sen, has been to create and develop a premium brand proposition centred on consumer health products and services derived from TCM and botanical ingredients.

Sen set out to build its brand name and reputation by establishing its own network of shops to showcase our product ranges and treatments and build direct consumer experience of the health, beauty, and lifestyle benefits that TCM can deliver. In our shops, we use TCM products and treatments, including acupuncture, acupressure, and herbal medicine, in the treatment of many conditions including inflammation related skin problems (eczema, psoriasis, acne); women's health issues (menopause, PMS); the management of pain; as well as lifestyle conditions such as stress, anxiety, depression, and addiction.

In parallel with our own shops, we have started expanding Sen's main health and beauty products through third party prestige channel distribution, thereby leveraging our emerging brand and widening its geographic presence.

Consumer Products Division performance

Sen's sales grew 41% to $4.1 million in 2008 (2007: $2.9 million) with an operating loss of $2.6 million (2007: -$2.1 million). These results reflect both our strong sales growth and the initial launch costs of our product expansion in France.

Sen Medicine Company Limited ("Sen UK"): "Build brand reputation through treatments in our own shops"

The nine central London shops/clinics performed strongly with total sales up 31% to $3.7 million (2007: $2.9 million), like-for-like sales up 17%, and despite the generally difficult late year trading conditions in London, were up 15% like-for-like in Q4 2008. Sen UK narrowed its operating loss to $1.8 million (2007: -$2.1 million). Sales growth and a positive mix effect led to aggregate shop level operating losses improving to $0.5 million (2007: -$1.0 million). The shop level gains were partially offset by central overhead costs that increased to $1.3 million (2007: $1.1 million) as we improved the operating framework of the UK business.

We believe that Sen UK currently provides the most reliable, high quality, and effective TCM consultations and treatments in London. These consultations and treatments drive margins as well as revenues. Consultation and treatment revenues were up 29% like-for-like to $2.5 million, which drove gross margins on the Sen UK business to 78% (2007: 65%). Word of mouth is growing and our base of loyal repeat customers is expanding.

Sen Medicine Company (France) S.A.R.L. ("Sen France"): "Expand premium consumer products line into prestige retail"

In June 2008, we started expansion of Sen France's top 34 body care, skin care, and tea products into Perfumeries Marionnaud, Europe's largest perfumery and cosmetic retailer, which has over 1,200 shops in 13 countries, primarily in Europe. We initially launched a range of Sen products in 50 shops in June, expanding to 125 shops in mid-November 2008. Marionnaud is a part of the Hutchison Whampoa group.

Despite a difficult economic climate and the challenges of launching in a new country, we have achieved traction with Marionnaud consumer sell-out in the second half of 2008 of over $360k (over 9,800 units) equating to sales of $0.3 million for Sen France. To support the launch we invested in high quality point-of-sales materials, a Paris-based team to manage operations including all Marionnaud central and shop level staff training, Sen France merchandisers in-store to explain the concept to shoppers and a public relations event in partnership with Marionnaud which resulted in broad-scale coverage in France's beauty press. Start-up costs also included French product registration, logistics, office and professional fees. Sen France's operating loss was therefore $0.8 million (2007: Nil).

The improvements made to our product line-up leading up to the launch in France, combined with the commercial learning since the launch, have put us in a good position to make progress in 2009.

Current Trading and Outlook for the Group

In 2009, sales and profit growth rates in the China Healthcare Division are running in line with last year as the China pharmaceutical market continues to show good growth. In HMPL, we are now in the process of treating the final patients in our HMPL-004 US Phase II trial on Crohn's disease and will report the result in mid-year. Early year performance on Sen UK and Sen France gives us

confidence that sales will continue to grow like-for-like while operating losses narrow in both markets in 2009.

Despite the challenging global economic pressures currently evident, due to the growth markets in which we operate, strong cash position and innovative product offering, we remain confident of the overall growth prospects for Chi-Med in 2009.

Christian Hogg
Chief Executive Officer, 13 March 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 US$'000	2007 US$'000
Continuing operations			
Sales	2	86,971	65,110
Cost of sales		(36,127)	(27,656)
Gross profit		50,844	37,454
Selling expenses		(31,744)	(23,091)
Administrative expenses		(35,086)	(27,423)
Other net operating income		1,759	3,337
Operating loss		(14,227)	(9,723)
Finance costs		(528)	(299)
Loss before taxation		(14,755)	(10,022)
Taxation charge		(1,503)	(838)
Loss for the year from continuing operations		(16,258)	(10,860)
Discontinued operations			
Loss for the year from discontinued operations		-	(5,106)
Loss for the year		(16,258)	(15,966)
Attributable to:			
Equity holders of the Company		(17,755)	(17,191)
Minority interests		1,497	1,225
		(16,258)	(15,966)
Loss per share for loss from continuing operations attributable to equity holders of the Company for the year (US$ per share)	3	(0.3466)	(0.2360)
Loss per share for loss from continuing and discontinued operations attributable to equity holders of the Company for the year (US$ per share)	3	(0.3466)	(0.3357)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	2008 US$'000	2007 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	25,946	25,682
Leasehold land	6,082	5,828
Goodwill	7,052	6,616
Trademarks and patents	475	602
Available-for-sale financial asset	145	136
Deferred tax assets	333	256
	40,033	39,120
Current assets		
Inventories	14,714	11,722
Trade and bills receivables	22,432	21,172
Other receivables and prepayments	2,572	2,204
Cash and bank balances	38,206	53,345
	77,924	88,443
Total assets	117,957	127,563
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	51,229	51,229
Reserves	23,914	39,067
	75,143	90,296
Minority interests	9,283	7,311
Total equity	84,426	97,607
LIABILITIES		
Current liabilities		
Trade payables	5,290	5,303
Other payables and accruals	18,836	17,042
Amounts due to related parties	974	496
Current tax liabilities	536	551
Short-term bank loans	7,606	6,564
	33,242	29,956
Non-current liabilities		
Deferred tax liabilities	289	-
Total liabilities	33,531	29,956
Total equity and liabilities	117,957	127,563

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	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$'000	Minority interests US$'000	Total equity US$'000
As at 1 January 2007	51,212	91,277	2,368	1,844	29	(43,779)	102,951	7,030	109,981
Exchange translation differences	-	-	-	2,037	1	-	2,038	333	2,371
(Loss)/profit for the year	-	-	-	-	-	(17,191)	(17,191)	1,225	(15,966)
Issue of shares	17	74	(53)	-	-	-	38	-	38
Dividend paid to a minority shareholder of a subsidiary	-	-	-	-	-	-	-	(1,277)	(1,277)
Share-based compensation expenses	-	-	2,460	-	-	-	2,460	-	2,460
Transfer between reserves	-	-	(528)	-	35	493	-	-	-
As at 31 December 2007	51,229	91,351	4,247	3,881	65	(60,477)	90,296	7,311	97,607
As at 1 January 2008	51,229	91,351	4,247	3,881	65	(60,477)	90,296	7,311	97,607
Exchange translation differences	-	-	-	1,647	-	-	1,647	475	2,122
(Loss)/profit for the year	-	-	-	-	-	(17,755)	(17,755)	1,497	(16,258)
Share-based compensation expenses	-	-	955	-	-	-	955	-	955
Transfer between reserves	-	-	(219)	-	-	219	-	-	-
As at 31 December 2008	51,229	91,351	4,983	5,528	65	(78,013)	75,143	9,283	84,426

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 US$'000	2007 US$'000
Cash flows from operating activities			
Net cash used in operations	4	(12,433)	(7,688)
Interest received		1,221	937
Interest paid		(528)	(367)
Income tax paid		(1,306)	(543)
Net cash used in operating activities		(13,046)	(7,661)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,397)	(5,807)
Purchase of leasehold land		-	(1,415)
Purchase of trademarks and patents		(1)	(15)
Proceeds from disposal of property, plant and equipment		17	-
Net cash used in investing activities		(3,381)	(7,237)
Cash flows from financing activities			
Increase/(decrease) in amount due to immediate holding company		504	(471)
Decrease in amount due to minority shareholders of a subsidiary		(40)	-
Dividend paid to a minority shareholder of a subsidiary		-	(1,277)
New short-term bank loans		2,110	4,760
Repayment of short-term bank loans		(1,507)	(5,709)
Issue of shares, net of share issuance costs		-	38
Net cash generated from/(used in) financing activities		1,067	(2,659)
Net decrease in cash and cash equivalents		(15,360)	(17,557)
Cash and cash equivalents at 1 January		53,345	70,613
Exchange differences		221	289
Cash and cash equivalents at 31 December		38,206	53,345
Analysis of cash and cash equivalents			
- Cash and bank balances		38,206	53,345

NOTES

1 Basis of preparation

The consolidated accounts of the Company have been prepared in accordance with International Financial Reporting Standards. These accounts have been prepared under the historical cost convention except that certain financial assets and liabilities are measured at fair values, as appropriate.

2. Revenue and segment information

The Group is principally engaged in the manufacturing, distribution and sales of Traditional Chinese Medicine ("TCM") and healthcare products. Revenue recognised for the year are as follows:

	2008 US$'000	2007 US$'000
Continuing operations		
Sales of goods	82,173	62,530
Services income	4,798	2,580
	86,971	65,110
Discontinued operations		
Sales of goods	-	4,551
	86,971	69,661

The Group's activities are categorised into four main areas:

- China Healthcare – Health supplement: comprises the research and development, manufacture, distribution and sale of western and TCM health supplements products.
- China Healthcare – over-the-counter ("OTC") & prescription: comprises the development, manufacture, distribution and sale of OTC & prescription TCM products.
- Consumer Products: relates to TCM pharmaceuticals and sales of TCM-based consumer lifestyle products and services.
- Drug Research and Development: relates mainly to drug discoveries and other pharmaceutical research and development activities, and the provision of research and development services.

In December 2007, the Group discontinued its operations in respect of the Nao Ling Tong memory supplement operation, which was a component of the Group's China Healthcare - Health supplement business.

NOTES

3 Loss per share

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

	2008	2007
Loss for the year		
- Continuing operations (US$'000)	(17,755)	(12,085)
- Discontinued operations (US$'000)	-	(5,106)
	(17,755)	(17,191)
Weighted average number of outstanding ordinary shares in issue	51,229,174	51,216,279
Basic and diluted loss per share (US$)		
- Continuing operations	(0.3466)	(0.2360)
- Discontinued operations	-	(0.0997)
	(0.3466)	(0.3357)

No diluted loss per share is presented as the exercise of the outstanding employee share options would have anti-dilutive effect.

NOTES

4 Note to the consolidated cash flow statement

Reconciliation of loss for the year to net cash used in operations

	2008 US$'000	2007 US$'000
Loss for the year	(16,258)	(15,966)
Adjustments for:		
Taxation charge	1,503	838
Share-based compensation expenses	955	2,460
Amortisation of trademarks and patents	191	212
Amortisation of leasehold land	130	111
Impairment on property, plant and equipment	-	603
Write-off of inventories	225	359
Provision of inventories	6	326
Provision of trade and other receivables	11	1,734
Depreciation on property, plant and equipment	4,331	3,477
Loss on disposal of property, plant and equipment	110	269
Interest income	(1,221)	(937)
Interest expense	528	367
Operating loss before working capital changes	(9,489)	(6,147)
Changes in working capital:		
- increase in inventories	(3,156)	(2,419)
- decrease/(increase) in trade and bills receivables	115	(5,129)
- increase in other receivables and prepayments	(540)	(244)
- (decrease)/increase in trade payables	(325)	1,837
- increase in other payables and accruals	962	4,414
Net cash used in operations	(12,433)	(7,688)
Attributable to:		
Continuing operations	(12,433)	(5,494)
Discontinued operations	-	(2,194)
	(12,433)	(7,688)