HUTCHISON CHINA MEDITECH LTD

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

Final Results for the year ended 31 December 2010

Strong performance across all divisions.

London: Wednesday, 9 March 2011: Chi-Med today announces its final results for the year ended 31 December 2010.

Group Results

- Revenues up 21% to $134.5 million (2009: $111.0m).
- Operating loss reduced by 52% to $2.2 million (2009: -$4.6m) reflecting profit growth in China Healthcare Division and decreased loss in Consumer Products Division.
- Net loss attributable to equity holders reduced by 22% to $6.9 million (2009: -$8.7m).
- Maintained solid cash position with $45.3 million in cash and cash equivalents as at 31 December 2010 (31 December 2009: $41.8m).

China Healthcare Division – driving profitable growth

- Sales up 18% to $120.1 million (2009: $102.0m). All organic growth.
- Operating profit up 29% to $16.8 million (2009: $13.1m).
- Net profit attributable to equity holders up 36% to $12.7 million (2009: $9.3m).

Drug R&D Division – expanded pipeline, focus on self-sustainability

- Operating loss increased by 24% to $12.4 million (2009: -$9.9m) due to clinical activity.
- Raised $20.1 million from Asian venture capital groups through new private investment in Hutchison MediPharma Holdings Limited. $82 million pre-money valuation (around 100p per Chi-Med share).
- Continue to work towards co-development partnership on HMPL-004 and expect to start Phase III trials in first half 2011.

Consumer Products Division – building new China growth engine

- Sales up 145% to $10.3 million (2009: $4.2m).
- Operating loss reduced by 37% to $1.6 million (2009: -$2.5m).
- Launched over 400 organic and natural products in Hong Kong and China including organic infant formula.

Christian Hogg, Chi-Med CEO, said:

"2010 was another good year for Chi-Med, during which we created significant shareholder value and made considerable progress in strengthening our operating frameworks across all our divisions.

Our China Healthcare Division delivered further strong organic growth with revenues up 18% and net profit up 36%. We are benefiting from the continued substantial increase in the healthcare spending of the Chinese government, the strength of our brands and commercial operations as well as the deep representation of our products on government reimbursement lists.

Our Drug R&D Division significantly expanded its clinical activity and demonstrated its ability to attract third party private finance to advance its pipeline of oncology and auto-immune disease drugs. We expect to partner our lead drug candidate HMPL-004 and start global Phase III trials during the first half of this year.

The sales of our Consumer Products Division surged as it successfully took initial steps towards its aim of becoming a major, health oriented consumer products business.

The growth potential for Chi-Med is considerable. We view 2011 with optimism and look forward to delivering significant growth in shareholder value."

The Annual General Meeting of Chi-Med will be held at Citigate Dewe Rogerson, 3 London Wall Buildings, London, EC2M 5SY on Monday, 9 May 2011 at 11:00 a.m.

Enquiries

Chi-Med	Telephone: +852 2121 8200
Christian Hogg, CEO	
Citigate Dewe Rogerson	Telephone: +44 (0) 20 7638 9571
Anthony Carlisle	Mobile: +44 (0) 7973 611 888
David Dible	Mobile: +44 (0) 7967 566 919
Lazard & Co., Limited	Telephone: +44 (0) 20 7187 2000
Paul Gismondi	
Nick Fowler	

About Chi-Med

Chi-Med is the holding company of a healthcare group based primarily in China and was listed on the Alternative Investment Market of the London Stock Exchange in May 2006. It is focused on researching, developing, manufacturing and selling pharmaceuticals and health oriented consumer products.

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

2010 was another good year for Chi-Med. We made considerable progress across all our divisions and created further significant shareholder value.

Chi-Med and its subsidiaries (the "Group") grew sales by 21% to $134.5 million, reduced the net loss attributable to equity holders by 22% to $6.9 million and maintained a strong net cash position.

Our China Healthcare Division made an impressive step forward in profitability, the Drug R&D Division significantly expanded its clinical activity and secured new external finance, making it currently self-financing. The Consumer Products Division made considerable progress in taking its first steps towards becoming a new China growth engine for the Group.

The scale and pace of growth of China's economy remain formidable, and we have strong belief in its continued long term potential, particularly in the sectors within which we operate. We have a deep understanding of the China market, strong research, production and commercial capabilities within it, increasing economies of scale as well as the benefits of Hutchison Whampoa Limited's ("HWL") experience and synergies.

Our goal continues to be the building of a unique, well-balanced portfolio of fast growth and profitable health and consumer products businesses in China, and we are confident of making further progress in the current financial year.

As our group progresses, we are attracting increased attention from our commercial and investor audiences. In late 2010, Chi-Med was short-listed as "International Company of the Year" at the 2010 London AIM Awards, and in January this year, our CEO, Christian Hogg, was voted the "Emerging Markets CEO of the Year" at the 2011 Grant Thornton Quoted Company Awards. We look forward to continuing to perform well and live up to these accolades.

China Healthcare Division

The Chinese government progressively continues to broaden social medicine, and this is driving rapid growth in the pharmaceutical market. Our China Healthcare Division delivered further strong organic growth with revenues up 18% and, as we build economies of scale, we translated this into 36% net profit growth.

The China Healthcare Division has three operating entities, which manufacture and sell household name brands in multiple therapeutic areas. Our sales and distribution networks cover all provincial markets in China, with a sales force now over 2,900 strong. This commercial capability has been steadily built up over the past decade and positions Chi-Med for future growth.

We believe that the expansion trend in China healthcare is likely to continue. Healthcare spending per capita in China was less than 2% of that in the United States in 2008 (World Health Organisation), but this disparity is expected to narrow over time. At the end of 2009, only 401 million Chinese people (about 30% of the population) were covered by China's Basic National Medical Insurance System ("BMIS") for its urban and rural residents, just one indication of how far the China pharmaceutical market still has to go.

Drug R&D Division

Our Drug R&D business expanded its clinical activity and demonstrated its ability to attract third party private finance to advance its pipeline of oncology and auto-immune disease drugs.

We firmly believe China will develop a powerful biotechnology industry over the coming decade and, in this development, our Drug R&D Division is one of the first movers. Since 2002, we have been one of the pioneers in drug discovery and development in China. We are now reaping the rewards not just of being first, but also of having executed effectively in developing multiple high potential drug candidates.

We have consistently sought to maximise our chances of success. Initially, we looked to lower risk through developing novel drugs derived from therapies with botanical origins and thus a history of efficacy and safety. By establishing operations in China, our overhead and operating costs are significantly lower than they would have been if we had established in the United States or Europe, and we have benefited from the rich pool of high quality scientists being emerging from the universities and research establishments in China, as well as those returning from abroad. We also built our own in-house China clinical trial and regulatory capability to lower the cost and increase the speed of clinical trials for new drug candidates.

Our pipeline of internally developed clinical drug candidates has never been stronger. We continue to work towards a co-development partnership and expect to start Phase III global trials in the first half of 2011 on our lead intestinal bowel disease drug, HMPL-004. In addition, we now have a portfolio of four small molecule cancer and inflammation drugs that are making their way through Phase I trials in Australia and China.

This all adds up to strong progress in our strategy for the Drug R&D Division to become a fully integrated, and stand-alone, pharmaceutical company in China.

Consumer Products Division

We believe there is a considerable and growing consumer need for safe, mass-market-priced, health oriented consumer products in China. This, together with our deep understanding of the China consumer products marketplace, creates the opportunity to develop our Consumer Products Division into a new growth engine for Chi-Med. The focus of our activity in 2011 is food, beverage and beauty care – categories where there have been numerous product safety scandals over the past decade and in which Chinese consumers have become increasingly willing to pay a premium for quality and peace of mind.

The first steps in achieving this have been taken with encouraging results, through our strategic venture with The Hain Celestial Group, Inc. (NASDAQ: HAIN) (“Hain Celestial”), a global leader in the field of organic and natural products. Last year, we successfully launched a broad range of new organic and natural consumer products into the Hong Kong and China markets, this grew Consumer Products sales 145% and has helped refine our strategy.

We first launched new imported English-labelled consumer products and brands into the Hong Kong market for English-speaking Hong Kong consumers. In parallel, we have now started to adapt these products to meet the needs of the local Chinese consumers in Hong Kong. Once adapted, we then intend to launch products into the mainland market, first in Guangdong Province and then beyond. The first example is the organic infant formula product that we

began selling directly into the mainland market in late 2010 because of the strong and immediate consumer need.

In addition to the growth of natural and organic foods in Hong Kong and China, we continue to expand our beauty brand, Sen, in Europe. As Sen innovates, tailors products and gains scale, we can move its body and skin care products down to more mainstream price levels and see opportunities to leverage synergies with HWL's wholly-owned A.S. Watson Group - over 8,700 health and beauty shops in Asia and Europe.

Corporate Governance

We maintain high standards of corporate governance.

The Chi-Med Board has worked together as a group for over five years now, with our Chief Financial Officer, Mr. Johnny Cheng, being appointed as an executive director in February this year. Our Independent Non-executive Directors bring a wealth of expertise on AIM and growth businesses, corporate governance, and pharmaceutical research and development. They have made, and continue to make a valuable contribution to the evolution of Chi-Med, and I very much appreciate their involvement and I thank them all for their efforts.

Dividend

The Board has decided not to recommend a dividend for the year ended 31 December 2010. We believe we can create greater shareholder value by continuing to invest in the growth opportunities we see in China.

As we look ahead, however, on the basis of Chi-Med continuing its success, we can see the Group achieving increasing net profitability with strong cash flows. I wish to thank all our Directors, management and employees both for delivering these results and for creating such a strong platform for continued future growth. Chi-Med's potential is considerable, and with each passing year this potential is more evident.

Simon To

Chairman, 7 March 2011

CHIEF EXECUTIVE OFFICER'S STATEMENT

Group Results

Chi-Med continued strong growth, with Group sales up 21% to $134.5 million (2009: $111.0m). This reflected continued strong organic growth in our China Healthcare Division, with sales up 18% to $120.1 million (2009: $102.0m); revenue in our Drug R&D Division from drug discovery collaborations of $4.1 million (2009: $4.8m); and a jump in Consumer Products Division sales to $10.3 million (2009: $4.2m) as a result of the natural and organic consumer product launches primarily in Hong Kong and China.

Group operating loss was reduced by 52% to $2.2 million (2009: -$4.6m) reflecting strong growth and improved margins in China Healthcare business, reduced losses in the Consumer Product Division resulting from its increased scale and some distributor pipeline-fill on our new infant formula launch, with these gains partially offset by greater Drug R&D Division operating losses resulting from its increased clinical trial activity.

Group net overhead costs were flat at $5.1 million (2009: $5.2m) reflecting tight cost control, which offset inflationary cost increases.

Finance costs were $0.4 million (2009: $0.4m) primarily reflecting the continued borrowing at Hutchison Healthcare Limited ("HHL") in the China Healthcare Division, and interest on a partial draw-down of Chi-Med's credit facility.

Profit attributable to minority interests was flat at $1.7 million (2009: $1.7m).

Our tax charge was $2.6 million (2009: $2.1m) reflecting the fast growth in profitability with the China Healthcare Division, while benefiting from the low corporate income tax rates of 15% on both Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") and Shanghai Hutchison Pharmaceuticals Limited ("SHPL") resulting from the High and New Technology Enterprise status both companies enjoy. HHL, our third profitable China subsidiary will not pay any tax this year due to its accumulated losses. In addition to enterprise income tax in China, we pay 5% withholding tax on dividends remitted outside China; the accrual for such items totalled $0.6 million (2009: $0.6m).

In total, the Group's net loss attributable to equity holders dropped 22% to $6.9 million from $8.7 million in 2009, and loss per share improved from 17.1 US cents in 2009 to 13.3 US cents in 2010.

The Group continues to maintain a solid financial position. As at 31 December 2010, net assets were $68.8 million, including cash and cash equivalents totalling $45.3 million (31 December 2009: $41.8m). The Group has debt in two areas, a credit facility for up to $30 million of which $20 million had been drawn down by the end of 2010, as well as borrowing in HHL. As at 31 December 2010, Chi-Med held bank borrowing totalling $24.5 million resulting in a Debt to Equity ratio of 41.1%.

Overview of Business Divisions

China Healthcare Division

In 2010, our China Healthcare Division grew sales 18% to $120.1 million (2009: $102.0m) all being organic growth from existing products. Operating profit grew 29% to $16.8 million (2009: $13.1m), and most importantly, net profit increased 36% to $12.7 million (2009: $9.3m), as we have progressively accessed economies of scale while successfully protecting margins amid raw material price inflation.

The China Healthcare Division has three operating entities; an over-the-counter ("OTC") drug business, HBYS, which is a 50:50 joint venture with Guangzhou Bai Yun Shan Pharmaceutical Company Limited (SHE: 000522); a prescription drug business called SHPL, which is a 50:50 joint venture with a wholly owned subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd. (SHA: 601607); and a wholly owned nutritional supplements business, HHL.

The China Healthcare Division manufactures and sells two household name brands in the pharmaceutical industry in China, the OTC brand Bai Yun Shan (meaning "White Cloud Mountain") and the Shang Yao brand (meaning "Shanghai Pharmaceuticals"). Our products have strong representation on the 2009 Medicines Catalogue for the Basic Medical Insurance, Labour Injury Insurance, and Childbirth Insurance System ("NMC") and the New National Essential Medicines List ("Essential Medicines List") that mandates distribution of drugs in China. As a result, we command high market shares in several therapeutic areas in China, including cough-cold and cardiovascular health. Our focus in the past five years has been to leverage these strong brands and market positions to achieve sales growth ahead of the overall market along with even faster profit margin improvement resulting from increased scale and efficiency.

As an illustration of its scale, in 2010, the China Healthcare Division manufactured and sold over 5 billion doses of medicine (2009: 4.6 billion doses) through its OTC and prescription channels, with combined domestic sales of HBYS, SHPL and HHL in 2010 of $231.2 million (2009: $197.0). Under International Financial Reporting Standards accounting rules, Chi-Med consolidates 50% of the two jointly owned entities within the China Healthcare Division, HBYS and SHPL, and 100% of its wholly-owned HHL operation.

The China Healthcare Division employs about 4,500 staff (2009: 4,100), about 1,600 of them in general administration and two large-scale factories in Guangzhou and Shanghai, and over 2,900 in sales, marketing, and distribution operations across all of China. In the rapidly growing China pharmaceutical market, the China Healthcare Division is a valuable asset, with the capacity to continue strong organic growth and possibly as a potential vehicle for strategic cooperation for new entrants into the China pharmaceuticals market.

Drug R&D Division

Hutchison MediPharma Limited ("Hutchison MediPharma") revenues were $4.1 million in 2010 (2009: $4.8m), reflecting continued research and milestone payments from discovery collaborations with Eli Lilly and Company ("Eli Lilly"), Ortho-McNeil-Janssen Pharmaceuticals, Inc. ("J&J"), and Merck Serono S.A. ("Merck").

Operating losses increased 24% to $12.4 million (2009: -$9.9m) as a direct result of the rapid broadening of Hutchison MediPharma's pipeline of clinical candidates and activities. As at the end of 2010, it had five active drug candidates in clinical trials - one entering Phase III, one entering Phase II, two in Phase I and one entering Phase I.

During late 2010, we raised $20.1 million in cash through third party private investments in Hutchison MediPharma Holdings Limited ("HMHL") which indirectly holds the entire interests in Hutchison MediPharma. These investments provide cash to advance its pipeline, while reducing Hutchison MediPharma's reliance on Chi-Med as its sole source of funding. In addition, the financing provides further evidence of Chi-Med's intention that Hutchison MediPharma should evolve into a large-scale and self-funding biotech entity. It also established a base, pre-money valuation of Hutchison MediPharma, through HMHL, of $82 million, equivalent to around 100p per Chi-Med share.

Hutchison MediPharma, and its team of around 220 scientists and staff, has convincingly validated its status as one of China's leading biotech operation. We believe it has the potential to create considerable long-term value and that one of the near-term catalysts for this will be the progression of our lead drug candidate, HMPL-004, into Phase III during the first half of this year.

Consumer Products Division

In 2010, the Consumer Products Division grew sales 145% to $10.3 million (2009: $4.2m) and reduced operating losses to $1.6 million (2009: -$2.5m). This reflected the success of our first steps in seeking to build the Division into a scale fast-moving consumer products company in China, focused on providing Chinese consumers with safe and healthy food, beverage and beauty care products.

It has historically been difficult for western fast-moving consumer products companies to establish themselves in China. Chi-Med is uniquely able to leverage powerful synergy with HWL to work closely with PARKnSHOP, the leading Hong Kong supermarket chain with 236 shops, and Watsons, the leading Hong Kong health and beauty specialist chain with 173 outlets, to quickly launch a broad range of Hutchison Hain Organic Holdings Limited ("HHOH") food, beverage and beauty brands in Hong Kong. This is the first step of a multi-step programme, to qualify and then systematically launch products in mainland China.

Hong Kong is both a revenue and profit generating lead market in which to launch HHOH's imported products, and it is a consumer laboratory to identify high-potential products from the HHOH product line to adapt to address local Chinese consumer needs. Once the products have been tailored to meet local Chinese consumer needs HHOH can rapidly expand these key products across the border into Guangdong province and then into the broader mainland market. We see this as both a prudent, and innately feasible approach.

An exception to this approach is our Swiss-made Zhi Ling Tong co-branded Earth's Best® infant formula product, which we have launched straight into the mainland China market. Following the very high profile product quality and contamination scandals in infant formula in China of the past five years, we believe there is an immediate consumer need for high-quality infant formula product in China. In addition, Chi-Med's existing HHL infant nutrition commercial network in over 130 cities in China gives us the ability to launch formula fast and deep into the market.

In parallel with building HHOH, we remain committed to our strategy of developing our Sen beauty product brand, based on the use of traditional Chinese medicinal herbs in beauty care products. To date, Sen has built its foundations in London and France. In future, though, we again see the ability to leverage synergy with HWL's over 8,700 health and beauty shops worldwide, enabling us also to bring down Sen product prices to more mass-market levels as we build scale.

Healthcare Market in China

We believe the healthcare industry in China is in a once-in-a-generation transition, away from a system in which the general population of China effectively had no healthcare safety net to one more common in developed countries, where the whole population will be covered by social medicine. At present, annual per capita spending on healthcare in China remains very low by global standards. According to World Health Organisation statistics, in 2008, it was just $142 per person, compared to $7,536 per person in the US.

In 2009, Chinese Government spending represented approximately 28% of total healthcare spending in China, the balance 72% coming from social and personal sources. Between 2006 and 2009 the compound annual growth of Chinese Government healthcare spending was 53%, resulting in total spending of $58.7 billion in 2009, ten times the 2000 level (Deutsche Bank, CEIC). The investment is being directed into two main areas, systematically expanding medical insurance cover to people in China and constructing extensive new healthcare infrastructure.

Chinese Government Healthcare Policy and Reform

In 2009, the China State Council approved in principle the final draft of its healthcare reform programme which laid out Government spending of RMB850 billion ($126 billion) from 2009 to 2011, with the objective of providing accessible and affordable healthcare to the country's 1.3 billion population. As remarked by China's Minister of Finance at a Standing Committee of the 11th National People's Congress, the spending is being directed mainly to build the BMIS.

The BMIS is a nationwide system which includes four main schemes: 1) the basic medical insurance scheme for urban employees and urban residents ("BMIUER"); 2) a scheme for urban residents targeting primarily the unemployed, such as the elderly and children; 3) the rural cooperative medical insurance scheme; and 4) medical aid for the poor in both rural and urban areas.

According to the National Bureau of Statistics of China, approximately 401 million people (about 30% of the Chinese population) were enrolled in the BMIUER, the main, most high profile scheme, as at the end of 2009, a 26% increase over 2008 (approximately 318 million). The BMIUER grew enrolment at a compound annual rate of 36% during the period 2006 to 2009. It currently provides members an upper limit of health insurance coverage totalling about four times the local average annual income with about 60-75% of inpatient medical expenses being reimbursed (China.org.cn). In addition, in 2010 local governments paid a flat-fee subsidy of no less than RMB 120 (about $17.60) per person per annum in subsidies under the BMIS. We believe it is likely that upper limits of coverage and the flat-fee subsidy will be gradually increased.

We believe that the increase in enrolment numbers in the BMIUER, the increasing depth of cover, plans to build some 2,000 new county-level hospitals between 2009 and 2011, and increasing disposable income, are the main drivers behind the rapid growth in the China healthcare industry.

Regulatory/Reimbursement Framework

Currently the authorities regularly review all drugs in China and regulate reimbursement by assigning each drug a classification on the NMC and Provincial Medicines Catalogue ("PMC"). In December 2009, the NMC was updated, the first update since 2004. A total of 2,196 drugs

were listed, including 1,164 western medicines, 987 Traditional Chinese Medicine ("TCM"), and 45 ethnic medicines. The 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.

Drugs are assigned two classifications on the NMC: Type-A and Type-B. Type-A classification drugs must be included on all PMCs, whereas, the provincial authorities have the flexibility to "swap-out" up to approximately 15% of the NMC Type-B drugs for local alternatives in compiling the PMC. This allows local manufacturers still to secure reimbursement of their drugs even if they fail to make it to the NMC.

The most important subset of the NMC is the Essential Medicines List, which was introduced for the first time in August 2009 by the Ministry of Health in China. The Essential Medicines List contains 307 drugs, including 205 western medicines and 102 TCM. It is mandatory for all state-owned grass-roots healthcare institutions to carry these 307 drugs. The Chinese Government is phasing in this requirement, with the stated intention to equip 100% of state-owned grass-roots health institutions with the drugs on the Essential Medicines List by 2020. Since the start of the Essential Medicines List system in late 2009, over 50% of grass roots health institutions have adopted the system (China State Department).

Our China Healthcare Division is very well placed in this regulatory/reimbursement environment and the drug tendering process that is required to secure hospital pharmacy listings of our drugs. Our OTC products have the high scale and low cost of production needed to ensure that we remain competitive in generic drug tenders, and our main prescription drug is proprietary and therefore not subject to tender.

Chinese Government position on TCM

The Chinese Government continues to encourage the development and use of TCM mainly because of its efficacy, safety and cost advantages. As part of the 12th Five-year plan, the Ministry of Health outlined the "Improvement of TCM services to reflect the uniqueness and the advantages of TCMs" as one of their ten key priorities for 2011. TCM sales in China in 2009 grew by 21% to RMB251 billion ($37.0 billion) and totalled 31% of all pharmaceutical sales (including TCM, chemical drugs, and biotech drugs) (Chinagate.com.cn).

China Healthcare Division

Our product portfolio remains well diversified, and while we own product licenses for over 200 drugs and registered health supplements in China, over 92% of our China Healthcare Division's sales in 2010 came from our nine core products of which six are OTC; two prescription; and one a nutritional supplement.

OTC Drugs – HBYS

OTC drug sales through HBYS increased 11% in 2010 to $75.5 million (2009: $67.8m), all of which was organic growth. This growth rate was robust, given that 2009 was an unusually tough comparator year, during which there was a surge in sales due to the severe flu season, and that there followed major raw material tightening and consequent significant price increases on our main OTC drugs early in 2010. These factors impacted the production and distribution system for certain HBYS's products and led to atypical sales patterns through the year. HBYS navigated these challenges effectively in 2010.

HBYS is a truly national company in China. Its OTC distribution network now has about 1,800 sales and marketing staff, up from about 1,600 in 2009 that work with some 400 first-tier distributors in all provinces in China and manage local retail activities and marketing programmes.

As in recent years, the five major HBYS products accounted for 90% of HBYS sales (2009: 90%). These products are Banlangen granules, an anti-viral treatment; Fu Fang Dan Shen tablets, principally for angina; Kou Yan Qing granules for periodontitis; Xiao Yan Li Dan tablets for liver/gallbladder; and Chuan Xin Lian tablets for inflammation.

In 2009, our main focus was to fulfil the surge in demand for Banlangen granules, driven by the particularly severe cough and cold season in China and the major impact of H1N1 in late 2008 and 2009. Sales of Banlangen granules in 2009 grew 42% to $30.0 million (2008: $21.1m) and as we had expected, settled down to more normal levels in 2010, declining 12% to $26.5 million. HBYS is the market leader by far in China with about 44% of the Banlangen granule market in 2009 (Ministry of Industry and Information Technology 2009 data). Banlangen is a generic OTC drug sub-category that accounted for approximately 7.3% of the total cold remedy market in selected cities in China in 2010 (IMS Health - Beijing, Guangzhou and Zhengzhou).

The main driver of HBYS growth in 2010 was Fu Fang Dan Shen tablets (for angina), which grew sales 36% to $29.4 million (2009: $21.6m). In 2009, sales of Fu Fang Dan Shen had been generally flat versus 2008, reflecting HBYS' prioritisation of production to the Banlangen granule business in order to fulfil surging demand. 2010 has enabled HBYS to "catch-up" on the Fu Fang Dan Shen tablet business and replenish distribution channel inventories that had been somewhat depleted in 2009 due to production capacity limitations. Fu Fang Dan Shen tablets are a generic OTC product made by many companies in China, but HBYS is a leader in China with around a 30% market share in 2009 (Ministry of Industry and Information technology 2009 data).

In 2010, we continued to invest both in organisational and marketing resources to develop our third and fourth ranked HBYS products Kou Yan Qing granules (periodontitis) and Xiao Yan Li Dan tablets (liver/gallbladder), sales of which grew 29% to $6.3 million (2009: $4.9m) and 29% to $4.6 million (2009: $3.6m) respectively. We believe that both products have the potential to become important contributors for HBYS over the next five years. Beyond these drugs, the balance of the HBYS portfolio of minor drugs grew 10% to $8.7 million (2009: $7.9m).

HBYS holds a portfolio of 145 registered drug licenses in China. By the end of 2010, a total of 62 HBYS products (2009: 56) were included in the China NMC with 28 designated as Type-A and 34 as Type-B meaning that 88% of all HBYS sales in 2010 could be reimbursed. In addition, a total of 24 HBYS drugs, of which 6 are in active production, were included on the Essential Medicines List.

In early 2010, certain herbs used in the manufacture of HBYS' key products were affected by a combination of high demand and adverse climatic events, which led to short supply, and consequently market prices of these herbs rose quickly. HBYS reacted with price increases of 16% on Banlangen granules and 24% on Fu Fang Dan Shen tablets. These price increases as well as stockpiling of herb inventory before prices peaked enabled HBYS to keep gross margins relatively stable at 53.7% in 2010 (2009: 54.8%).

Late in 2010, pricing on some of these herbs settled down, but there remain some important raw materials that are trading well above historic levels and will require further action in 2011 to protect HBYS margins. OTC drug pricing is regulated in China, especially for products on the NMC, PMC, and Essential Medicines List so, in the short-term, a combination of approved price increases and cost control will be required to counter raw material price inflation. China has enormous herb agriculture infrastructure and any spikes in market prices of particular herbs are generally followed by a surge in planting and farming of these herbs. Inevitably this leads to oversupply in subsequent years and a normalisation of herb market prices. We are confident that we will continue to be able to manage effectively this short-term challenge and that herb price fluctuation does not represent a material intermediate or long-term risk.

HBYS continues to be one of the innovative OTC drug marketers in China, using a combination of effective public relations and mainstream advertising. In addition to public relations activities in 2010 surrounding the donation of products to areas affected by the floods in southern and central China, the drought in Yunnan and the earthquake in Qinghai, HBYS deployed over $15.0 million (2009: $10.0m), 10% of sales, in national advertising which we believe makes it one of the leading advertisers in the OTC market in China.

In research and development, HBYS continues to focus resources on three main new drug projects. The first is late-stage preclinical work on a new class-5 prescription drug to treat angina pectoris, the second is studying the potential for expansion of therapeutic claims on Fu Fang Dan Shen tablet in the area of neurology, and the third is the development of an alternate dosage form for Nao Xin Qing tablet, a prescription drug for coronary heart disease.

Prescription Drugs – SHPL

SHPL grew prescription drug sales 31% to $35.6 million in 2010 (2009: $27.2m) all of which was organic from existing products. Since 2005, its compound annual sales growth has averaged 25%, which has accelerated in recent years due primarily to the effective expansion of our commercial network across China and the strong position of our main drugs on both the Essential Medicines List and the NMC.

SHPL's umbrella brand, Shang Yao, has a thirty-five year reputation of innovation in China and was awarded "China Famous Brand" status in 2010 by the State Administration for Industry and Commerce. China Famous Brand designation brings with it significant benefits, including increased intellectual property protection, status and government support.

Sales of SHPL's proprietary cardiovascular prescription drug, She Xiang Bao Xin pill ("SXBXP"), grew 35% to $30.2 million (2009: $22.4m). SHPL is the only manufacturer of SXBXP in China, and the drug remains protected until late 2016. SXBXP is included on the Essential Medicines List and remains a Type-A NMC drug status, which means it is fully reimbursed in all provinces.

SHPL has continued to make solid progress in expanding beyond its eastern China base, where it holds leadership market share of approximately 31% among the main TCM cardiovascular prescription drugs in Shanghai (IMS Health). Expansion has been helped by the gradual roll-out of the Essential Medicines List. In 2010, SHPL's sales in its east China stronghold of Shanghai, Jiangsu and Zhejiang provinces grew 19% to $19.6 million (2009: $16.4m) while at the same time, its sales beyond east China surged 49% to $16.0 million (2009: $10.8m). Sales beyond east China represented 45% of SHPL's total sales in 2010, compared to 40% in 2009 and clearly indicating a broadening national presence.

SHPL also continued to build its second and third ranked products, Dan Ning tablet (gallbladder/inflammation) and Sheng Mai injection (cardiovascular/immune system), with sales growth of 10% to $4.1 million (2009: $3.7m) and 28% to $0.7 million (2009: $0.5m) respectively. Dan Ning tablet is a unique Type-B NMC drug with patent protection lasting until 2027.

SHPL holds a portfolio of 73 registered drug licenses in China. By the end of 2010, a total of 34 SHPL products (2009: 34) were included in the NMC with 19 designated as Type-A and 15 as Type-B meaning that 99% of all SHPL sales in 2010 could be reimbursed. In addition, a total of 14 SHPL drugs, of which 4 are in active production, were included on the Essential Medicines List with one of these drugs being SXBXP, our proprietary drug.

As well as its strong portfolio of reimbursed prescription drugs and its trusted Shang Yao brand, SHPL's main strength is its powerful, regimented, and scalable commercial team. Over the past five years, this team has proven its ability to expand successfully throughout China, entering new markets often with entrenched competitors, and quickly generating financial return on investment. SHPL's commercial team, at the end of 2010, had over 1,200 medical sales representatives and marketing staff (2009: 900), managing distribution and sales of SXBXP in over 7,400 hospitals in China. This still only totals approximately 36% of the over 20,200 hospitals in China (China Health Statistical Year Book 2009 data).

As a result of rapidly increasing scale, increasing mix-effect from SXBXP, and continued progress on step-by-step improvements in hospital bidding prices in certain regions of China, SHPL grew gross margins significantly to 73.6% in 2010 (2009: 71.4%). Despite very fast growth, SHPL has not been affected by short supply in the area of raw materials, primarily due to the fact that SXBXP is a mix of multiple herb extracts none of which individually represent a material portion of cost of goods.

In research and development, in 2010, SHPL secured further Shanghai Municipal Government commitments for research funding of approximately $1.5 million to fund clinical studies on SXBXP and Dan Ning tablets. Furthermore, beyond the seven-year extension of its "Confidential State Secret Technology" status protection on SXBXP as certified by China's Ministry of Science and Technology and State Secrecy Bureau in late 2009, SHPL was awarded a 20-year patent for SXBXP fingerprinting that could potentially protect the unique status of the drug well into the future. This particular patent in relation to SXBXP was designated as a "Top Ten Excellent Patented Product in 2010" by the Shanghai Intellectual Property Administration.

Nutritional Supplements - HHL

In 2010, our wholly-owned subsidiary HHL grew sales 27% to $9.0 million (2009: $7.0m), and grew operating profit 18% to $1.2 million (2009: $1.0m).

All HHL's sales were accounted for by its Zhi Ling Tong ("ZLT") infant and pregnant mother supplements brand, which we have successfully developed in partnership with our exclusive distributor into a strong hospital and mother/baby store distribution model across China. At the end of 2010, we operated 13 sales offices across China and sold products in more than 130 cities either through over 90 wholesalers or direct to over 50 national supermarket chains, over 30 drug store chains, and approximately 3,600 mother/baby shops and 1,200 hospitals.

Regionally the sales of ZLT have concentrated on the most high-income areas in China as a result of the approximate $67 per month cost to the consumer of our main omega-3 product. ZLT was first launched in 2003 in Southern China, primarily Guangdong province, which still accounts for some 41% of the total ZLT business and encouragingly continues to deliver strong like-for-like growth, with sales up 32% in 2010. Outside the South, we are the strongest in high-income markets such as Beijing, Dalian, Shanghai and key cities in Jiangsu, and Zhejiang provinces.

HHL currently sells three ZLT licensed health supplement products. Sales of the largest, ZLT DHA capsules, the omega-3 product for use by pregnant and lactating women to promote brain and retinal development in babies, grew 28% to $7.3 million in 2010 (2009: $5.7m). Pregnancy supplementation is an important market in China, thanks in part to China's one-child policy and the importance a mother and family places on her single pregnancy.

HHL markets two other products under the ZLT brand, calcium powder, which grew 46% to $1.3 million (2009: $0.9m) and probiotic powder, which declined to $0.3 million (from $0.4 million in 2009) as we are in the process of re-formulating and re-registering a new probiotic strain for the Chinese market.

In 2010, a major organisational focus for HHL was to develop its commercial activities to support Chi-Med's infant formula project. While this project will be accounted for under HHOH, in 2011 we will concentrate the full commercial organisation and distribution network of HHL to support China expansion of infant formula.

Acquisitions

The average price to earnings multiple of the seventy-seven listed China pharmaceutical companies was 61 times earnings as at December 31, 2010. Our M&A strategy therefore currently focuses on looking to work with our existing Chinese partners to identify synergies that will lead us to both expand the scope of our existing joint ventures and/or to buy more share of them. In line with this, in late 2010, we announced the increase of Chi-Med's indirect ownership in HBYS through a minority partner buy-down.

Drug R&D Division

In 2010, Hutchison MediPharma's revenue was $4.1 million (2009: $4.8m) and, as a direct result of the start of our two Phase I trials, HMPL-011 in Australia and Sulfatinib in China, operating expenses increased, resulting in an increased operating loss of $12.4 million (2009: -$9.9m).

Hutchison MediPharma has a team of approximately 220 scientists and staff focusing on discovery and development of botanical drugs, semi-synthetic natural product drugs, and synthetic single chemical entity drugs. It has a pipeline of projects in the therapeutic areas of auto-immune disease and oncology.

In November and December 2010, HMHL raised $20.1 million via private placements when Mitsui & Co., Ltd. ("Mitsui") and SBCVC Fund III Company Limited ("SBCVC") were allotted new convertible preference shares in the enlarged share capital of HMHL. Mitsui is one of the world's most diversified and comprehensive trading, investment and service enterprises, while SBCVC is managed by one of China's most successful and entrepreneurial venture capital firms. The proceeds of this fundraising will be used to support the continued development of Hutchison

MediPharma's substantial pipeline of internally developed research and development programmes.

Product Pipeline Progress

HMPL-004: Recognition of the potential of HMPL-004, as it continues to move towards a global Phase III trial, is encouraging. In May 2010, HMPL-004 was selected for a Distinguished Abstract Plenary oral presentation during the Digestive Disease Week conference in New Orleans. The Immunology, Microbiology and Inflammatory Bowel Diseases Distinguished Abstract Plenary is highly prestigious, indicating that this was one of the highest ranked inflammatory bowel diseases abstracts. In June 2010, Hutchison MediPharma had a productive End-of-Phase II meeting with the United States Food and Drug Administration to discuss the Phase IIb ulcerative colitis ("UC") trial and Phase III clinical development plans. Based on the outcomes of this meeting, the Phase III enabling studies and Phase III clinical supply manufacture programme are progressing well and according to plan. Partnering for co-development is also moving forward. We continue to expect global multi-centre Phase III UC trial will commence in the first half of 2011.

HMPL-011: HMPL-011 is an orally administered new chemical entity with a novel mechanism of action, controlling the production of pro-inflammatory cytokines. It has shown good efficacy in animal models of a variety of inflammatory disorders such as rheumatoid arthritis and multiple sclerosis. The HMPL-011 Phase I first-in-human clinical trial was initiated in Australia in October 2009. The single ascending dose trial was successfully completed in healthy male volunteers earlier in 2010. Based on the positive single dose study results, the company initiated the multiple-dose Phase Ib trial that was successfully completed at the end of 2010. HMPL-011 was found to be safe and well tolerated in the four-week multi-dose study, and exhibited a favourable pharmacokinetic profile. The study outcome is expected to be announced in the first half of 2011. We are currently conducting Phase II enabling studies in preparation for Phase II trials in China. The outcome of the animal study will lead to a go or no go decision for Phase II.

Sulfatinib: Sulfatinib (HMPL-012) is a novel small molecule that selectively inhibits the tyrosine kinase activity associated with vascular endothelial growth factor (VEGF) and fibroblast growth factor receptors. Pre-clinical data has shown that this compound is a potent suppressor of angiogenesis, an established approach in anticancer treatment. Sulfatinib has received Investigative New Drug ("IND") approval by China State Food and Drug Administration ("SFDA") through the Green Channel expedited application process. The first-in-human Phase I clinical trial is underway in China. The trial is an open-label, dose escalation study, primarily to establish the maximum tolerated dose and assess the safety and tolerability in patients with advanced solid tumours. The study results are anticipated to be available in the first half of 2011.

Fruquintinib: Fruquintinib (HMPL-013) is a novel small molecule compound that selectively inhibits 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 IND application was approved by the SFDA in October 2010 and the first-in-human Phase I clinical trial started in early 2011. The study results are anticipated to be available by the end of 2011.

HMPL-813: In the first half of 2010, we also completed the pre-clinical development of HMPL-813 and submitted the IND application to the SFDA for evaluation. HMPL-813 is a highly potent inhibitor of the epidermal growth factor receptor tyrosine kinase involved in tumour growth, invasion and migration. HMPL-813 has good kinase selectivity and demonstrated a broad spectrum of anti-tumour activity via oral dosing in multiple xenografts in preclinical studies. We anticipate SFDA approval of its IND and subsequent commencement of the first-in-human Phase I clinical trial during the first half of 2011.

Discovery programmes

Our collaboration projects with Eli Lilly and J&J are progressing as planned. A new project with Merck on a natural product-based library was initiated during the second quarter of 2010, while our previous novel small molecule anti-cancer drug collaboration with Merck KGaA was terminated at around the same time. The new collaboration has been progressing well and is expected to complete during the first half of 2011. In addition to the discovery projects under our collaborations, considerable progress has been made on Hutchison MediPharma's own internal discovery projects with a further two candidates now moving into preclinical evaluation.

Consumer Products Division

During 2010, the Consumer Products Division grew sales 145% to $10.3 million (2009: $4.2m) primarily as a result of the launch of 24 brands including over 400 organic and natural food and beauty products in the Hong Kong market as well as some pipeline-fill for our infant formula launch in China. Operating losses were reduced by 37% to $1.6 million (2009: -$2.5m) as a result of the increase in operating scale in China as well as the scaling-down of non-profitable activities in Europe.

China Consumer Products

The objective of HHOH is to become a leading organic and natural consumer products company in China behind the increasing trend among Chinese consumers to demand higher quality and safer consumer products. In 2010 Consumer Products Division Hong Kong and China sales grew to $6.7 million (2009: nil) and operating profit was $0.5 million (2009: nil).

During early 2010, HHOH launched almost 400 new items into PARKnSHOP including Celestial Seasonings® Tea, Terra® Chips, Health Valley® snack bars and Avalon Organics® personal care products. Then in mid 2010 HHOH launched a total of about 40 personal care products into Watsons. Together with integrated marketing programmes, these launches drove HHOH sales in Hong Kong to $5.0 million in 2010, approximately a seven-fold increase from the level of sales recorded in PARKnSHOP and Watsons by Hain Celestial products in Hong Kong in 2009, the year prior to the commencement of HHOH operations.

We follow a "Four-Step Process" to establish new consumer products and brands in Hong Kong and China that we believe plays to Chi-Med's unique strengths and group synergies:

Step-One: Launch in Hong Kong -- We first look to establish our imported consumer products in Hong Kong by marketing them to Hong Kong's approximately 300,000 westerners and English speaking Chinese, which represent a ready market for English-labelled, imported consumer products.

This Step-One has now effectively been completed in Hong Kong with deep penetration of HHOH's products in the 65 PARKnSHOP and 60 Watsons shops in Hong Kong that primarily serve more affluent English speaking consumers ("International Shops"). As at the end of December 2010, these International Shops carried an average of about 182 HHOH items (PARKnSHOP) and about 38 items (Watsons) and represented 92% of all HHOH sales (approximately $4.6 million) in Hong Kong in 2010. Encouragingly, we estimate that HHOH market shares within the International Shops have now reached approximately 20% in the baby food category; 23% in snack bars; 15% in soup, and 12% of chips/snacks in only nine months of trading in 2010.

Step-Two: Tailor products for Chinese consumers – We believe that the much larger Hong Kong population of about 6.7 million local Chinese speaking consumers are more representative of middle class mainland Chinese consumers, with almost no English language skills, lower incomes, and local tastes. This market represents a good consumer testing ground for us to adapt our imported products to the local Hong Kong Chinese consumer, for example by refining labelling to dual-language English and Chinese, and by tailoring products to local tastes, product forms, pricing, packaging and sizing requirements.

In 2010, we made a start on the tailoring of HHOH products to the local Chinese consumer and made some progress selling HHOH products into PARKnSHOPs 171 shops that primarily serve local Hong Kong Chinese consumers ("Local Shops"). Although the penetration of our products in these shops is lower, and consumer sales more limited, as at the end of December 2010, these Local Shops carried an average of about 16 HHOH items and represented 8% of all HHOH sales (around $0.4 million) in 2010. We started using Chinese language stickering on the simplest HHOH products and made some progress in opening up this sector of the market. As a result, our Hain Pure Foods® brand of natural sea salt is now estimated to hold a 10% market share, and our Walnut Acres® brand organic pasta sauce brand is now estimated to hold a 10% market share across all 236 PARKnSHOP shops in Hong Kong. In 2011, HHOH will increase its market research and tailoring of products to the local Hong Kong Chinese consumer.

Step-Three: Launch into Guangdong province -- Once products have been adapted to meet the needs of local Chinese consumers in Hong Kong, they will become ready for launch into the Mainland China market, firstly in Guangdong province. Guangdong, which borders Hong Kong, is the most populous (approximately 96.4 million people) and prosperous province in China, with a Gross Domestic Product roughly similar to that of Turkey or Indonesia. Through its cultural links, use of the same language (Cantonese), and major media spill over from Hong Kong, Guangdong is particularly heavily influenced by consumer trends in Hong Kong.

Step-Four: Launch into the broader mainland China market – Once a successful track-record of expansion has been established in Guangdong province, we will be well positioned to expand into the balance of China. If feasible, it is likely at this stage, we would consider establishing local production capability in China to support higher volume and reduce cost over importation.

In parallel to our Hong Kong launch activities on the broad HHOH portfolio of products, we have already proceeded to market in mainland China with an imported organic infant formula product in Chinese language packaging, which started shipping in late 2010. Sales in 2010 totalled $1.5 million, which was primarily distributor pipeline-fill. We intend to invest in developing this high potential project in 2011 and concentrate the commercial team of HHL, which is infant formula focused, to expand quickly sales of the organic infant formula product in China.

Proprietary Beauty Care Products

In addition to our China consumer products strategy, we continue to build our Sen "Chinese wisdom in beauty" brand that utilises TCM herbs in beauty care products. Initially, we have built Sen through our own limited retail presence in London, followed by third party retail channels in France. Sales of the Sen brand totalled $3.6 million (2009: $4.2m) and operating losses narrowed to $2.1 million (2009: -$2.5m).

2010 Sen UK sales were $2.4 million (2009: $3.2m) as we reduced the number of shops from nine to six. We will continue to scale down the number of our own shops, intending to maintain three or four Sen shops in central London for awareness and brand building reasons.

In France, we distribute the top 35 Sen beauty products in about 340 Marionnaud Parfumeries stores, and 2010 sales grew 28% to $1.2 million (2009: $1.0m), with operating losses reduced 25% to $0.6 million (2009: -$0.8m). Like-for-like volume sales in Marionnaud in 2010 were up 32%, indicating increased consumer awareness for Sen in France.

During the coming two years, we will focus on accelerating Sen's growth, first by developing a short-range of Sen products tailored to the mass market and, second, by engaging with credible celebrity endorsers to build excitement behind the brand. The aim is to position Sen better to take advantage of the synergy available to us from HWL's global health and beauty retailing network of over 8,700 stores.

Current Trading and Outlook for the Group

We expect that 2011 will again be a good year for Chi-Med across all three divisions. Sales and profit in the China Healthcare Division has started the year ahead of 2010 levels. We also continue to work towards broadening the scope of our existing China healthcare joint ventures.

In the Drug R&D Division, we continue to work towards a co-development deal on HMPL-004 and expect to start global Phase III trials during the first half of 2011. In 2011, we will continue to work on the long-term self-financing of the Drug R&D Division to support full development of our portfolio of clinical candidates.

The Consumer Products Division is set for continued progress in 2011 as the HHOH business becomes more established, marketing programmes ramp up on our organic infant formula project in China, and as we consider further expansion opportunities.

We look to 2011 with great confidence.

Christian Hogg
Chief Executive Officer, 7 March 2011

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 US$'000	2009 US$'000
Sales	2	134,509	110,997
Cost of sales		(54,641)	(44,586)
Gross profit		79,868	66,411
Selling expenses		(52,705)	(44,810)
Administrative expenses		(31,055)	(27,390)
Other net operating income		1,685	1,174
Operating loss		(2,207)	(4,615)
Finance costs		(403)	(399)
Loss before taxation		(2,610)	(5,014)
Taxation charge		(2,584)	(2,066)
Loss for the year		(5,194)	(7,080)
Attributable to:			
Equity holders of the Company		(6,865)	(8,748)
Non-controlling interests		1,671	1,668
		(5,194)	(7,080)
Loss per share for loss attributable to equity holders of the Company for the year (US$ per share)	3	(0.1332)	(0.1708)

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 US$'000	2009 US$'000
Loss for the year	(5,194)	(7,080)
Other comprehensive income/(loss):		
Exchange translation differences	503	(1,073)
Total comprehensive loss for the year (net of tax)	(4,691)	(8,153)
Attributable to:		
Equity holders of the Company	(6,422)	(9,480)
Non-controlling interests	1,731	1,327
	(4,691)	(8,153)

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	2010 US$'000	2009 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	23,918	24,653
Leasehold land	6,015	5,998
Goodwill	7,709	7,522
Other intangible assets	10,312	4,962
Amount due from a related party	3,010	-
Available-for-sale financial asset	-	146
Deferred tax assets	1,205	615
	52,169	43,896
Current assets		
Inventories	26,630	17,476
Trade and bills receivables	30,738	20,055
Other receivables and prepayments	5,077	4,577
Cash and bank balances	45,310	41,752
	107,755	83,860
Total assets	159,924	127,756
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	51,743	51,279
Reserves	7,809	14,624
	59,552	65,903
Non-controlling interests	9,254	9,397
Total equity	68,806	75,300
LIABILITIES		
Current liabilities		
Trade payables	10,557	8,166
Other payables, accruals and advance receipts	27,733	30,715
Amounts due to related parties	3,614	2,149
Bank borrowings	24,500	8,112
Current tax liabilities	1,241	724
	67,645	49,866
Non-current liabilities		
Deferred income	1,935	1,616
Deferred tax liabilities	1,400	828
Bank borrowings	-	146
Convertible preference shares	20,138	-
Total liabilities	91,118	52,456
Total equity and liabilities	159,924	127,756

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	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 2009	51,229	91,351	4,983	5,528	65	(78,013)	75,143	9,283	84,426
(Loss)/profit for the year	-	-	-	-	-	(8,748)	(8,748)	1,668	(7,080)
Other comprehensive loss:									
Exchange translation differences	-	-	-	(732)	-	-	(732)	(341)	(1,073)
Total comprehensive (loss)/income for the year (net of tax)	-	-	-	(732)	-	(8,748)	(9,480)	1,327	(8,153)
Issue of shares	50	188	(148)	-	-	-	90	-	90
Share-based compensation expenses	-	-	150	-	-	-	150	-	150
Transfer between reserves	-	-	(305)	-	423	(118)	-	-	-
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(1,213)	(1,213)
As at 31 December 2009	51,279	91,539	4,680	4,796	488	(86,879)	65,903	9,397	75,300

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

	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 2010	51,279	91,539	4,680	4,796	488	(86,879)	65,903	9,397	75,300
(Loss)/profit for the year	-	-	-	-	-	(6,865)	(6,865)	1,671	(5,194)
Other comprehensive income:									
Exchange translation differences	-	-	-	443	-	-	443	60	503
Total comprehensive income/(loss) for the year (net of tax)	-	-	-	443	-	(6,865)	(6,422)	1,731	(4,691)
Issue of shares	464	1,416	(1,101)	-	-	-	779	-	779
Share-based compensation expenses	-	-	279	-	-	-	279	-	279
Transfer between reserves	-	-	(4)	-	-	4	-	-	-
Loan from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	1,800	1,800
Repayment of a loan to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(2,010)	(2,010)
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	5	5
Difference arising on acquisition of additional interest in a subsidiary	-	-	-	-	-	(987)	(987)	(1,669)	(2,656)
As at 31 December 2010	51,743	92,955	3,854	5,239	488	(94,727)	59,552	9,254	68,806

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 US$'000	2009 US$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	4	(17,327)	13,646
Interest received		226	283
Interest paid		(403)	(399)
Income tax paid		(2,085)	(1,621)
Net cash (used in)/generated from operating activities		(19,589)	11,909
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,281)	(2,794)
Purchase of trademarks and patents		-	(5)
Payments for development costs		(5,425)	(4,705)
Acquisition of additional interest in a subsidiary		(2,656)	(406)
Proceeds from disposal of available-for-sale financial asset		146	-
Proceeds from disposal of property, plant and equipment		10	8
Net cash used in investing activities		(11,206)	(7,902)
Cash flows from financing activities			
Increase in amount due from a non-controlling shareholder of a subsidiary		(3,010)	-
Increase/(decrease) in amount due to a non-controlling shareholder of a subsidiary		13	(201)
Dividend paid to a non-controlling shareholder of a subsidiary		-	(1,213)
Loan from a non-controlling shareholder of a subsidiary		1,800	-
Repayment of a loan to a non-controlling shareholder of a subsidiary		(2,010)	-
New bank loans		24,500	4,961
Repayment of bank loans		(8,258)	(4,309)
Issue of shares, net of share issuance costs		779	90
Issue of convertible preference shares by a subsidiary		20,138	-
Capital contribution from a non-controlling shareholder of a subsidiary		5	-
Net cash generated from/(used in) financing activities		33,957	(672)
Net increase in cash and cash equivalents		3,162	3,335
Cash and cash equivalents at 1 January		41,752	38,206
Exchange differences		396	211
Cash and cash equivalents at 31 December		45,310	41,752
Analysis of cash and cash equivalents			
- Cash and bank balances		45,310	41,752

NOTES :

1 Basis of preparation

The consolidated accounts of Hutchison China MediTech Limited (the "Company") have been prepared in accordance with International Financial Reporting Standards. The consolidated accounts have been prepared under the historical cost convention except that certain financial assets and liabilities (including derivative instruments) are measured at fair values, as appropriate.

2 Revenue and segment information

The Company and its subsidiaries (together the "Group") is principally engaged in the manufacturing, distribution and sales of traditional Chinese medicine and healthcare products. The Group is also engaged in carrying out pharmaceutical research and development. The Group and its jointly controlled entities have manufacturing plants in Shanghai and Guangzhou in the People's Republic of China (the "PRC") and sell mainly in the PRC, United Kingdom and France. Revenues recognised for the year are as follows:

	2010 US$'000	2009 US$'000
Sales of goods	128,702	103,966
Service income	5,807	7,031
	134,509	110,997

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: 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.

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.

	2010	2009
Loss for the year attributable to equity holders of the Company (US$'000)	(6,865)	(8,748)
Weighted average number of outstanding ordinary shares in issue	51,527,892	51,232,051
Loss per share attributable to equity holders of the Company (US$)	(0.1332)	(0.1708)

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

NOTES (CONTINUED) :

4 Notes to the consolidated statement of cash flows

Reconciliation of loss for the year to net cash (used in)/generated from operations:

	2010 US$'000	2009 US$'000
Loss for the year	(5,194)	(7,080)
Adjustments for:		
Taxation charge	2,584	2,066
Share-based compensation expenses	279	150
Amortisation of trademarks and patents	164	228
Amortisation of leasehold land	138	137
Write-off/(write-back) of inventories	55	(9)
Provision of inventories	120	81
Provision for receivables	18	11
Depreciation on property, plant and equipment	4,278	4,203
Loss on disposal of property, plant and equipment	333	188
Interest income	(226)	(283)
Interest expense	403	399
Exchange differences	(929)	(1,719)
Operating profit/(loss) before working capital changes	2,023	(1,628)
Changes in working capital:		
- increase in inventories	(9,329)	(2,834)
- (increase)/decrease in trade and bills receivables	(10,701)	2,366
- increase in other receivables and prepayments	(500)	(2,005)
- increase in trade payables	2,391	2,876
-(decrease)/increase in other payables, accruals and advance receipts	(2,982)	11,879
- increase in deferred income	319	1,616
- increase in amount due to immediate holding company	1,452	1,376
Net cash (used in)/generated from operations	(17,327)	13,646