HUTCHISON CHINA MEDITECH LTD

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

Interim Results for the Six Months Ended 30 June 2011

Good results. Positive outlook.

Group Results
- Sales up 14% to $83.3 million (H1 2010: $73.2m).
- Operating profit up 28% to $2.9 million (H1 2010: $2.3m).
- Net loss after interest, tax, and minority interests down 9% to $1.4 million (H1 2010: -$1.6m).
- Cash and cash equivalents $45.7 million (30 June 2010: $40.4m).

China Healthcare Division
- Sales up 14% to $76.0 million (H1 2010: $66.5m).
- Operating profit up 21% to $14.7 million (H1 2010: $12.2m).
- Net profit after interest, tax, and minority interests up 27% to $11.0 million (H1 2010: $8.6m).
- Acquisition of a 60% interest in an over-the-counter drug distribution company in Central China.

Drug R&D Division
- Operating loss up 31% to $7.8 million (H1 2010: -$6.0m).
- Progression of multiple oncology trials and trial enabling studies in China's high growth oncology market.

Consumer Products Division
- Sales up 35% to $5.6 million (H1 2010: $4.2m) behind continued expansion of organic products.
- Operating loss down 28% to $1.0 million (H1 2010: -$1.4m) due to increased scale.

London: Monday, 1 August 2011: Chi-Med, the China-based healthcare and consumer products group today announces its unaudited financial results for the six months ended 30 June 2011.

Christian Hogg, CEO of Chi-Med, said:

"We have delivered another set of good results, with continued satisfactory performance across each of our three divisions and with a positive outlook going forward.

China Healthcare Division grew its revenues by 14%, reflecting our focus on protecting margins as we managed significant price increases in certain raw materials. We believe that the impact of these price increases will reduce in the second half and work-out of the system over the next 12 to 18 months. The Division's net profit after interest, tax, and minority interests grew 27%.

Drug R&D Division has strengthened its portfolio with multiple new small molecule cancer drugs now in Phase I trials in China and continued to progress HMPL-004, our most clinically advanced drug candidate, towards Phase III.

Consumer Products Division is starting to emerge as a China-based "healthy living" consumer products company, with both our Hutchison Hain Organic Holdings Limited strategic partnership and Sen progressing well. The Division grew sales by 35% and cut its operating loss to $1.0 million.

We are confident that each of our businesses will continue to grow considerably over the rest of this year and beyond, Chi-Med's outlook remains strong."

Ends

Enquiries

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Results are reported in US dollar currency unless stated otherwise.

An analyst presentation will be held at 9:00am today at Citigate Dewe Rogerson, 3 London Wall Buildings, London, EC2M 5SY.

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.

CHAIRMAN'S STATEMENT

This has been another good half year for Chi-Med, during which we have continued the momentum of our growth, seen progress across each of our divisions and significantly strengthened the foundations of our growth platform. Chi-Med is well positioned in the enormous China market and the scope for building our existing businesses further is considerable. Our performance and outlook, therefore, are both strong.

Strategic Development

Chi-Med is focused on the China pharmaceutical and consumer products market – markets that we believe will enjoy continued strong growth for the foreseeable future.

We have built well-established platforms in our China Healthcare business and our pharmaceutical research and development business and we are building our platform in the consumer products arena.

Our commercial platforms in pharmaceuticals are national in scope, covering over 280 cities in China. Our prescription drug commercial team has about 1,200 medical sales representatives, up from less than 300 in 2003. In the over-the-counter ("OTC") business, our commercial team now consists of over 1,600 sales representatives up from only 600 in 2004. And we have created a specialised professional infant nutrition commercial operation with over 140 sales personnel in high-income markets. Our sales channels have traditionally sold our existing brand and product portfolios, but we are now leveraging them to market and distribute other new products. The first such move is our organic infant formula product that was launched early this year and the second is the acquisition of controlling interest in a Good Supply Practice ("GSP") distribution company in central China in July 2011 which will allow our OTC commercial team to begin, for the first time, selling complementary third party products in addition to our own portfolio of drugs.

The continued rapid growth of our China Healthcare Division means we are now considering the relocation and significant expansion of production capacity of our two main production sites. We intend to fund this relocation and expansion through compensation that will be paid to us by local Shanghai and Guangzhou governments in return for release of the land use rights on our existing sites. We believe this compensation will generate considerable cash for our joint ventures.

In research and development, we now have a leading cancer and auto-immune disease drug discovery and development operation, based in Shanghai. With over 200 scientists and staff, we have a strong track record of identifying new drug candidates and have been the first to obtain China State Food and Drug Administration ("SFDA") clearance on three oncology drugs under the new fast track green channel registration process. With a fourth oncology drug under SFDA review and a fifth expected to be submitted later on this year, we believe that this platform will allow us to emerge as a leading innovator in the China oncology market for many years to come.

In consumer products, we are leveraging our own know-how, a unique product portfolio and the retail presence of Hutchison Whampoa Limited ("Hutchison Whampoa") to progressively build a national consumer products framework in China through which we can introduce numerous new health-related consumer products.

Business Review

Our China Healthcare Division continues to expand rapidly and improve its profitability. Underlying growth in the China pharmaceutical market remains strong and Chi-Med's high quality portfolio of brands and products put us in a good position. The primary driver of pharmaceutical industry growth is the commitment of the Chinese government to widen and improve state sponsored healthcare across the Chinese population, through the broadening and deepening of insurance and drug reimbursement.

During the first half of this year, we have felt the full effect of increased raw material costs in our OTC drug business, as the inventories of key herbs that we stockpiled in 2010 ran down and we needed to buy at market rates. We see these price increases as being of limited duration, since new planting is already beginning to have its effect. In the meantime, we are prioritising our profit growth by increasing prices and reducing marketing spend on our market leading OTC brand products. Over the next year to eighteen months, we expect raw material prices to normalise.

Our Drug R&D Division is well established as one of the most advanced Drug R&D operations in China and its discovery and development pipelines are increasingly strong. We continue to believe that Hutchison MediPharma Limited ("Hutchison MediPharma") will emerge over the coming years as a leading force in the biotech industry in China.

In our Consumer Products Division, the business of Hutchison Hain Organic Holdings Limited ("Hutchison Hain Organic") continues to demonstrate the exciting growth potential of natural and organic consumer products in China, and the rapidly growing sales of Sen products through Marionnaud Parfumeries stores in France is highly encouraging.

Financial Review
Group sales for the six months ended 30 June 2011 were up 14% to $83.3 million (H1 2010: $73.2m), driven by continued growth in the China Healthcare Division and the expansion of Hutchison Hain Organic.

Group gross profit was up 4% to $46.6 million (H1 2010: $44.7m), with gross margins dropping to 56% (H1 2010: 61%) due to the full effect of raw material price inflation in our OTC business. Selling expenses as a percentage of sales were reduced significantly to 31% (H1 2010: 36%) as we tightened our marketing investments. Administrative expenses as a proportion of sales dropped to 22% (H1 2010: 23%) reflecting continuing synergies achieved in the Consumer Products Division being offset by higher investment in Drug R&D Division.

Our China Healthcare Division, Chi-Med's primary profit source, grew its operating profit by 21% to $14.7 million (H1 2010: $12.2m) and the Consumer Products Division trimmed operating losses by 28% to $1.0 million (H1 2010: -$1.4m). These gains were partially offset by an increase in the operating loss of our Drug R&D Division, which rose by 31% to $7.8 million (H1 2010: -$6.0m), due to increased development activity.

Consequently, Group operating profit increased by 28% to $2.9 million (H1 2010: $2.3m).

Net corporate unallocated expenses grew to $2.9 million (H1 2010: -$2.5m) primarily as a result of a broadening of our organisation and a non-cash charge associated with the employee share option programme in Hutchison MediPharma.

Overall, the net loss after interest, tax, and minority interests was reduced by 9% to $1.4 million (H1 2010: -$1.6m).

Cash and Financing

Net operating cash outflow was $8.9 million (H1 2010: outflow of $5.8m) as the increased raw material inventory in our prescription drug business outweighed the run-down of raw material inventory in our OTC business. We also saw an increase in trade and bills receivable as our distributors have seen cash tighten due to Chinese government money supply and anti-inflationary policy.

Overall, cash and cash equivalents at the end of June 2011 totalled $45.7 million as compared to $40.4 million at the end of June 2010. We have drawn down a total of $30 million on a revolving bank loan facility, resulting in a debt to equity ratio of 56%.

Outlook
The prospects for each of our businesses are strong, and as a result we remain positive on the outlook of Chi-Med for the full year and beyond.

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

Simon To
Chairman, 29 July 2011

CHIEF EXECUTIVE OFFICER'S STATEMENT

We have continued good progress in each of our divisions. During the past ten years we have built a unique and broad ranging commercial platform in China that is now well positioned to drive expansion in both the pharmaceutical and consumer products areas.

China Healthcare Division

The China Healthcare Division has three main operating companies: Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS"), Shanghai Hutchison Pharmaceuticals Limited ("SHPL") and Hutchison Healthcare Limited ("HHL"). These companies manufacture and market OTC drugs, prescription drugs and health supplements in China and continue to deliver strong sales and profit growth.

In the first half of 2011, the Division grew sales by 14% to $76.0 million, operating profit by 21% to $14.7 million and net profit after interest, tax, and minority interests by 27% to $11.0 million, representing a 14.4% margin as a percentage of sales, up 1.4 percentage points over the first half of 2010.

We managed rising raw material costs in parts of the Division over the past twelve months thereby enabling us to maintain the profit growth momentum that we have built up since our listing in 2006. Short term uncertainty in the pricing of some important raw materials persists, but we remain confident in our continued growth prospects because our brands remain among the strongest in their fields in China and our commercial networks are among the deepest.

HBYS: HBYS has faced a squeeze over the past twelve to eighteen months between raw material price inflation and escalating competition in provincial hospital drug price tenders. First half sales of the market leading OTC drug brand, Baiyunshan, grew 7% to $48.1 million (H1 2010: $45.0m) despite cumulative price increases over the past eighteen months of 41% on Fu Fang Dan Shen tablets ("FFDS"), an angina drug, and 16% on Banlangen granules ("BLG"), the market leading antiviral. These price increases, combined with a reduction in marketing spending, served to effectively protect HBYS profit margins but have inevitably slowed sales growth on the HBYS business.

Prices on HBYS's two main raw materials, Ban Lan Gen in BLG and San Qi in FFDS appear to have peaked in very early 2011. Herb prices in China tend to be cyclical and affected by both climatic events and surges in demand such as severe cold/flu seasons. However, as prices increase, so does planting, resulting in pricing cycles that generally mirror the planting and harvesting cycle for particular herbs. Ban Lan Gen is an annual crop so we expect pricing to normalise this year. San Qi is a three-year crop that can be expected to remain priced above long-term historic levels for another eighteen months.

SHPL: Our prescription drug business continues to grow strongly, with first half sales up 37% to $24.4 million (H1 2010: $17.8m). This growth is driven primarily by She Xiang Bao Xin pill ("SXBXP"), the proprietary prescription cardiovascular drug which is the market leader in Shanghai (IMS Health data, 2010). Sales for SXBXP grew by 39% to $21.1 million behind continuing expansion of our commercial team, now up to about 1,200 medical sales representatives in China. SXBXP was listed on the new national Essential Medicines List issued by the Ministry of Health in China in August 2009, which means that all state-owned health institutions in urban and rural China will be required to carry it by 2020. SHPL is less affected by raw material inflation albeit not impervious, with the price of certain materials increasing during the first half of this year, leading us to stockpile inventory to protect gross margins.

HHL: Our infant nutrition operation has spent the past six months focusing its obstetrics and gynaecology hospital, mother/baby store channel, drug store and modern trade/supermarkets teams on the China launch of our organic infant formula product, the sales of which are reported under Hutchison Hain Organic in our Consumer Products Division. This focus, combined with some conscious tightening in working capital in supplements, has led to a decline of 5% in HHL sales to $3.5 million (H1 2010: $3.7m).

Expanding Production: Since our listing, China Healthcare Division has more than doubled sales, from $31.1 million in the first six months of 2006 to $76.0 million in the first six months of 2011. This growth has stretched our current capacity. In HBYS, we have alleviated this by outsourcing, a short term solution, and in SHPL with efficiency gains. We can continue to grow at historic rates for a further two to three years, but we now intend to expand our capacity materially during this time. This coincides with the SFDA's implementation of new China Good Manufacturing Practices for Pharmaceutical Products, which is intended to raise production and quality standards further in China starting in late 2013. We are therefore considering the relocation and significant expansion of both HBYS and SHPL's manufacturing sites over the next three years.

The approximately 57,000-square-metre site of SHPL is located about 13 kilometres from the Shanghai city centre and the approximately 96,000-square-metre site of HBYS is located about 9 kilometres from the Guangzhou city centre. Both sites are close to metro lines. As part of the general urban development policy of the big cities in China to reduce pollution and increase commercial and residential development in

city centres, we anticipate that both SHPL and HBYS will eventually be required to move their production facilities outside of these urban areas. We understand that compensation payments receivable by the affected land use right owners from the local governments will generally be a portion of the auction value of the land and may take into account the cost of relocation as well as development potential.

For perspective, according to one of China's major real estate websites, Soufun.com in the first half of 2011, the average prices of the residential and commercial/office land parcels auctioned in Shanghai and Guangzhou were approximately $1,442 and $969 per square metre respectively. Based on these precedents, we believe that the compensation payments that might be received by SHPL and HBYS for their respective sites should generate considerable cash to fund their relocation and expansion.

Broadening Operations: Our China Healthcare Division commercial platforms in prescription and OTC drugs are ready to be utilised to market and sell broader product lines. We intend to take action to broaden the utilisation of these extensive commercial teams. The first such action has been the acquisition by HBYS of a 60% equity interest in a new GSP distribution company in Henan province in July 2011 named Nanyang Baiyunshan Hutchison Whampoa Guanbao Pharmaceutical Company Limited ("NBHG"). NBHG, through its GSP drug distribution license and existing operations, enables the over 1,600-person strong commercial organisation of HBYS for the first time to start selling third party products in all provinces in China. We believe this will lead to synergies for HBYS and deliver significant shareholder value for Chi-Med.

Drug R&D Division

Hutchison MediPharma has a team of over 200 scientists and staff focusing on discovery and development of novel drugs in the therapeutic areas of auto-immune disease and oncology. For the first half of 2011, revenue for Hutchison MediPharma was $1.6 million (H1 2010: $2.6m). As a result of the combination of lower income from collaboration partners and increased clinical trial and trial enabling study costs, first half operating losses rose to $7.8 million (H1 2010: -$6.0m).

Product Pipeline Progress

HMPL-004: HMPL-004 was selected as a finalist in the Asian Innovation Awards 2011, presented by the Wall Street Journal Asia in partnership with Credit Suisse. This year's entries were short listed based on three criteria: level of creativity or degree of innovation, quality of execution and potential impact on quality of life or productivity. Following the End-of-Phase II meeting with the United States Food and Drug Administration, Hutchison MediPharma further held productive meetings with the European regulatory agencies with regard to the Phase III ulcerative colitis trials. Based on feedback, Hutchison MediPharma has developed high strength tablets to reduce pill burden and increase patient medication compliance for the Phase III trials and potential commercial launch. We are now ready to test the tablet form in a human pharmacokinetics study to demonstrate its equivalency to the capsules used in Phase II clinical studies. Hutchison MediPharma expects to initiate the global Phase III UC trials using the tablet product. Partnering for co-development remains under discussion.

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. Hutchison MediPharma successfully completed the Phase I first-in-human clinical trials in Australia in early 2011. HMPL-011 was found to be safe and well tolerated in the four-week multi-dose study, and exhibited a favourable pharmacokinetic profile. We are currently conducting Phase II enabling studies in preparation for Phase II proof-of-concept trials in China. The outcome of the chronic animal toxicological study will be available shortly and lead to a go-or-no-go decision on the Phase II trial.

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. 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. Preliminary study results indicated that Sulfatinib was well tolerated in cancer patients and exhibited a favourable pharmacokinetic profile.

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 first-in-human Phase I clinical trial started in early 2011.

Epitinib: Epitinib (HMPL-813) is a highly potent inhibitor of the epidermal growth factor receptor tyrosine kinase involved in tumour growth, invasion and migration. Epitinib has good kinase selectivity and demonstrated a broad spectrum of anti-tumour activity via oral dosing in multiple xenografts in preclinical studies. We have obtained SFDA's approval of its Investigative New Drug ("IND") application and anticipate starting the first-in-human Phase I clinical trial during the third quarter of 2011.

Theliatinib: Theliatinib (HMPL-309) is an inhibitor of epidermal growth factor receptor tyrosine kinase with much improved activity against resistant mutants and a unique tissue distribution profile, was submitted to the SFDA and is currently under review.

Discovery Program

Hutchison MediPharma's internal discovery programs are moving forward as planned. Our current lead discovery program, a further small molecule cancer drug, is near completion of IND-enabling evaluations with IND application filing anticipated in the second half of 2011. Additional candidate selections are possible for two other programs later in the year. The collaboration project with Merck Serono S.A. was completed in March 2011, three months ahead of schedule and collaboration projects with Eli Lilly and Company ("Lilly") were also concluded. The collaboration with Ortho-McNeil-Janssen Pharmaceuticals, Inc. is progressing well.

Consumer Products Division

Our Consumer Products Division continued to develop during the first half of 2011, growing sales 35% to $5.6 million (H1 2010: $4.2m) and reducing operating losses by 28% to $1.0 million (H1 2010: -$1.4m). Our strategy remains to build a "healthy living" focused consumer products group in China. The demand for high quality health oriented consumer products is strong due to the regular food quality scandals that occur in China. While the development of our consumer products commercial platform in China is a long-term project, we have started quickly thanks to our success in combining the extensive consumer retail and distribution channels of Hutchison Whampoa in Hong Kong and China with the consumer appeal of the products we sell under Hutchison Hain Organic.

Hutchison Hain Organic: The performance of our natural and organic products venture, which started operations in early 2010, has been strong with sales up 52% to $4.1 million. This growth came from both continued geographic expansion, as well as from existing channels such as PARKnSHOP Hong Kong where first half 2011 like-for-like consumer sales in our three focus product categories: (i) basic grocery food and beverage; (ii) beauty care and (iii) baby care grew 35%, 128% and 56% respectively, an encouraging indication of both broadening consumer trial and increasing repurchase and loyalty.

During the first half of 2011, we sold Hutchison Hain Organic products in Hong Kong ($2.0m), Mainland China ($1.5m), Taiwan ($0.2m), Singapore ($0.2m) and Thailand ($0.2m). We have recently expanded the scope of Hutchison Hain Organic's exclusivity to include a further five Asian countries.

In May 2011 we started full-scale marketing programmes on our organic infant formula business in China. We have seen a positive consumption trend despite being in distribution in only approximately 10% of the hospital and mummy/baby store outlets that currently carry our Zhi Ling Tong omega-3 supplements for pregnant and lactating women. As our marketing programmes build consumer awareness and commercial channel confidence over the next twelve months, we believe that the distribution and sales of our organic infant formula product will grow quickly.

Sen: We continue to focus our Sen strategy on selling beauty products in third party retail distribution channels, and, over the past year, we have reduced the number of shops we operate in London from nine to five. This led to a decline in Sen UK sales of 18% to $1.0 million. In the UK, we now intend to start expanding the Sen beauty range through third party distribution.

In France, we have launched Sen's beauty products through about 340 Marionnaud Parfumeries shops and intend broadening to over 500 shops in the second half of 2011. Progress in France has been very encouraging with sales increasing 74% to $0.5 million in the first half of 2011 and like-for-like volume sales growth of 48% in the 125 shops in which Sen has been being sold for more that one year. Sen's scale and coverage is now sufficiently deep that we have begun print advertising in many major women's beauty magazines in France, an important step to creating widespread awareness, trial and ultimately loyalty to the

brand. This advertising investment has been made possible by increasing Sen's gross margins in France to 52% (H1 2010: 20%) as a result of greater scale and product and package innovation.

Summary

Each of our businesses is well positioned to deliver further growth in the second half of this year and beyond. We are also conscious of the wider opportunities, for which we are increasingly well-placed within the China healthcare and consumer goods marketplace.

Christian Hogg
Chief Executive Officer, 29 July 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF HUTCHISON CHINA MEDITECH LIMITED
(incorporated in the Cayman lslands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 10 to 30, which comprises the condensed consolidated statement of financial position of Hutchison China MediTech Limited and its subsidiaries as at 30 June 2011, and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 July 2011

HUTCHISON CHINA MEDITECH LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Unaudited Six months ended 30 June 2011 US$'000	2010 US$'000
Sales	3	83,257	73,204
Cost of sales		(36,697)	(28,490)
Gross profit		46,560	44,714
Selling expenses		(25,833)	(26,092)
Administrative expenses		(18,286)	(16,999)
Other net operating income	4	463	652
Operating profit	5	2,904	2,275
Finance costs	6	(229)	(200)
Profit before taxation		2,675	2,075
Taxation charge	7	(2,556)	(1,958)
Profit for the period		119	117
Attributable to:			
Equity holders of the Company		(1,435)	(1,575)
Non-controlling interests		1,554	1,692
		119	117
Loss per share for loss attributable to equity holders of the Company for the period (US$ per share)	8	(0.0277)	(0.0307)

HUTCHISON CHINA MEDITECH LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited Six months ended 30 June	
	2011 US$'000	2010 US$'000
Profit for the period	119	117
Other comprehensive income/(loss):		
Exchange translation differences	2,122	(417)
Total comprehensive income/(loss) for the period (net of tax)	2,241	(300)
Attributable to:		
Equity holders of the Company	454	(1,968)
Non-controlling interests	1,787	1,668
	2,241	(300)

HUTCHISON CHINA MEDITECH LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	Unaudited 30 June 2011 US$'000	Audited 31 December 2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	23,215	23,918
Leasehold land		6,097	6,015
Goodwill		7,967	7,709
Other intangible assets	10	13,099	10,312
Amount due from a related party	17	3,010	3,010
Deferred tax assets		1,164	1,205
		54,552	52,169
Current assets			
Inventories		22,588	26,630
Trade and bills receivables	17	53,894	30,738
Other receivables and prepayments		5,815	5,077
Cash and bank balances		45,739	45,310
		128,036	107,755
Total assets		182,588	159,924
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	51,743	51,743
Reserves		8,719	7,809
		60,462	59,552
Non-controlling interests		13,041	9,254
Total equity		73,503	68,806
LIABILITIES			
Current liabilities			
Trade payables	17	11,171	10,557
Other payables, accruals and advance receipts		33,830	27,733
Amounts due to related parties	17	4,669	3,614
Bank borrowings	12	34,000	24,500
Current tax liabilities		2,097	1,241
		85,767	67,645
Non-current liabilities			
Deferred income	13	1,408	1,935
Deferred tax liabilities		1,772	1,400
Convertible preference shares	14	20,138	20,138
Total liabilities		109,085	91,118
Total equity and liabilities		182,588	159,924

HUTCHISON CHINA MEDITECH LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	General reserves US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2010	51,279	91,539	4,680	4,796	488	(86,879)	65,903	9,397	75,300
(Loss)/profit for the period	-	-	-	-	-	(1,575)	(1,575)	1,692	117
Other comprehensive loss:									
Exchange translation differences	-	-	-	(393)	-	-	(393)	(24)	(417)
Total comprehensive (loss)/income for the period (net of tax)	-	-	-	(393)	-	(1,575)	(1,968)	1,668	(300)
Issue of shares (note 11(a))	455	1,587	(1,286)	-	-	-	756	-	756
Share-based compensation expenses	-	-	82	-	-	-	82	-	82
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
As at 30 June 2010	51,734	93,126	3,476	4,403	488	(88,454)	64,773	9,060	73,833
As at 1 January 2011	51,743	92,955	3,854	5,239	488	(94,727)	59,552	9,254	68,806
(Loss)/profit for the period	-	-	-	-	-	(1,435)	(1,435)	1,554	119
Other comprehensive income:									
Exchange translation differences	-	-	-	1,889	-	-	1,889	233	2,122
Total comprehensive income/(loss) for the period (net of tax)	-	-	-	1,889	-	(1,435)	454	1,787	2,241
Share-based compensation expenses	-	-	456	-	-	-	456	-	456
Transfer between reserves	-	-	(3)	-	8	(5)	-	-	-
Loan from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	2,000	2,000
As at 30 June 2011	51,743	92,955	4,307	7,128	496	(96,167)	60,462	13,041	73,503

HUTCHISON CHINA MEDITECH LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Unaudited Six months ended 30 June 2011 US$'000	2010 US$'000
Cash flows from operating activities			
Net cash used in operations	15(a)	(7,423)	(4,341)
Interest received		64	115
Interest paid		(229)	(200)
Income tax paid		(1,287)	(1,342)
Net cash used in operating activities		(8,875)	(5,768)
Cash flows from investing activities			
Purchase of property, plant and equipment		(832)	(1,883)
Acquisition of additional interest in a jointly controlled entity	15(b)	(46)	-
Payments for development costs		(2,734)	(1,726)
Proceeds from disposal of available-for-sale financial asset		-	146
Proceeds from disposal of property, plant and equipment		-	1
Net cash used in investing activities		(3,612)	(3,462)
Cash flows from financing activities			
Increase in amount due to immediate holding company		1,068	761
Decrease in amount due to a non-controlling shareholder of a subsidiary		(13)	-
Repayment of a loan to a non-controlling shareholder of a subsidiary		-	(2,010)
Issue of shares, net of share issuance costs		-	756
New short-term bank loans		10,000	10,000
Repayment of bank loans		(500)	(1,498)
Capital contribution from a non-controlling shareholder of a subsidiary		-	5
Loan from a non-controlling shareholder of a subsidiary		2,000	-
Net cash generated from financing activities		12,555	8,014
Net increase/(decrease) in cash and cash equivalents		68	(1,216)
Cash and cash equivalents at beginning of the period		45,310	41,752
Exchange differences		361	(104)
Cash and cash equivalents at end of the period		45,739	40,432
Analysis of cash and cash equivalents			
- Cash and bank balances		45,739	40,432

HUTCHISON CHINA MEDITECH LIMITED

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1 General information

Hutchison China MediTech Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in the manufacturing, distribution and sales of traditional Chinese medicine ("TCM") and healthcare products. The Group is also engaged in carrying out pharmaceutical research and development. The Group and its 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, the United Kingdom ("UK"), France and Hong Kong.

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

The Company's ordinary shares were admitted to trading on the Alternative Investment Market operated by the London Stock Exchange. These condensed interim accounts are presented in thousands of United States Dollars ("US$'000"), unless otherwise stated, and were approved for issue by the Board of Directors on 29 July 2011.

2 Summary of significant accounting policies

(a) Basis of preparation

The Company has a financial year end date of 31 December. These unaudited condensed interim accounts for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting". These condensed interim accounts should be read in conjunction with the annual accounts of the Group for the year ended 31 December 2010 (the "2010 annual accounts"), which have been prepared in accordance with International Financial Reporting Standards.

(b) Significant accounting policies

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

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the 2010 annual accounts, except for the adoption of the revised standards, amendments and interpretations issued by the International Accounting Standards Board that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2011.

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

2 Summary of significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

During the period, a number of new and revised standards, amendments and interpretations were issued by the International Accounting Standard Board but not yet effective this year, including IFRS 11 "Joint Arrangement" which requires a party to a joint arrangement to determine the type of joint arrangement it is involved by assessing the contractual rights and obligations arising from the arrangement. Management is in the process of assessing the impact of these new and revised standards, amendments and interpretations.

3 Revenue and segment information

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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Sales of goods	80,908	69,827
Service income	2,349	3,377
	83,257	73,204

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

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

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

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

3 Revenue and segment information (Continued)

The segment information for the reportable segments for the six months ended 30 June 2011 is as follows:

	As at and for the six months ended 30 June 2011								
	China healthcare	Drug R&D	Consumer products				Reportable segment		
	PRC	PRC	PRC	UK	France	Hong Kong	total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Sales to external customers	76,004	1,608	1,477	981	472	2,715	83,257	-	83,257
EBIT/(LBIT)	14,651	(7,847)	186	(735)	(236)	(246)	5,773	(2,933)	2,840
Interest income	55	2	1	-	-	1	59	5	64
Interest expense	126	-	-	-	-	-	126	103	229
Additions to non-current assets (other than financial instrument and deferred tax assets)	498	3,108	-	-	-	27	3,633	3	3,636
Depreciation/ amortisation	1,239	821	-	124	1	6	2,191	8	2,199
Total assets	119,876	29,986	3,845	2,720	1,532	7,636	165,595	16,993	182,588

3 Revenue and segment information (Continued)

	As at and for the six months ended 30 June 2010								
	China healthcare	Drug R&D	Consumer products				Reportable segment		
	PRC	PRC	PRC	UK	France	Hong Kong	total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Sales to external customers	66,470	2,555	-	1,192	272	2,715	73,204	-	73,204
EBIT/(LBIT)	12,066	(5,999)	-	(1,372)	(107)	56	4,644	(2,484)	2,160
Interest income	102	1	-	-	-	-	103	12	115
Interest expense	199	-	-	-	-	-	199	1	200
Additions to non-current assets (other than financial instrument and deferred tax assets)	1,219	2,193	-	179	1	14	3,606	3	3,609
Depreciation/ amortisation	1,228	748	-	229	-	1	2,206	10	2,216
Total assets	103,980	16,177	-	2,561	395	1,885	124,998	18,647	143,645

Sales to external customers is after elimination of inter-segment sales. The amount eliminated attributable to consumer products segment from UK to France is US$238,000 (2010: US$240,000) and from Hong Kong to the PRC is US$713,000 (2010: Nil).

Sales between segments are carried out at mutually agreed terms.

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

As at 30 June 2011, total non-current assets other than financial instrument and deferred tax assets located in the PRC, UK, France and Hong Kong were US$52,989,000 (30 June 2010: US$43,536,000), US$257,000 (30 June 2010: US$708,000), US$2,000 (30 June 2010: US$2,000) and US$140,000 (30 June 2010: US$48,000) respectively.

3 Revenue and segment information (Continued)

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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
EBIT	5,773	4,644
Unallocated expenses	(2,933)	(2,484)
Interest income	64	115
Interest expense	(229)	(200)
Profit before taxation	2,675	2,075

4 Other net operating income

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Interest income	64	115
Net foreign exchange gains	65	35
Government incentives	59	258
Other operating income	287	266
Other operating expenses	(12)	(22)
	463	652

5 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Amortisation of trademarks and patents recognised in administrative expenses	85	84
Amortisation of leasehold land	72	69
Cost of inventories recognised as expense	36,585	28,318
Depreciation on property, plant and equipment	2,042	2,063
Employee benefit expenses	16,441	13,797
Loss on disposal of property, plant and equipment	103	217
Operating lease rentals in respect of land and buildings	1,269	1,130
Provision for inventories	112	172
Research and development expense	3,223	3,304

6 Finance costs

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Interest expense on short-term bank loans	229	200

7 Taxation charge

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Current tax		
- Hong Kong	-	9
- PRC	2,143	1,719
Deferred income tax	413	230
Taxation charge	2,556	1,958

(a) The Group has no estimated assessable profit in Hong Kong, UK and France for the period (2010: Nil).

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

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

In addition, Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") and Shanghai Hutchison Pharmaceuticals Limited, jointly controlled entities of the Group, have been granted High and New Technology Enterprise status ("HNTE status") and are subject to a preferential income tax rate of 15% (2010: 15%) for the year 2011. The HNTE status is renewable in the second half of year 2011 subject to approval by the relevant tax authorities.

8 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 period.

	Six months ended 30 June	
	2011	2010
Weighted average number of ordinary shares in issue	51,743,153	51,317,645
Loss for the period attributable to equity holders of the Company (US$'000)	(1,435)	(1,575)
Loss per share attributable to equity holders of the Company (US$)	(0.0277)	(0.0307)

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

9 Property, plant and equipment

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Net book value as at 1 January	23,918	24,653
Additions	832	1,883
Disposals	(103)	(218)
Depreciation for the period	(2,042)	(2,063)
Exchange differences	610	(25)
Net book value as at 30 June	23,215	24,230

10 Other intangible assets

Other intangible assets include trademarks, patents and development costs. Movement in other intangible assets during the period is as follows:

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Net book value as at 1 January	10,312	4,962
Additions	2,734	1,726
Amortisation	(85)	(84)
Exchange differences	138	9
Net book value as at 30 June	13,099	6,613

During the period ended 30 June 2011, the Group has capitalised development costs totalling US$2,734,000 (2010: US$1,726,000) in respect of a drug candidate for which management is of the opinion that the technical feasibility of completing the candidate making it available for use or sale can be demonstrated and it is probable that future economic benefits can be generated to the Group.

10 Other intangible assets (Continued)

Trademark, patent and capitalised development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Management is of the opinion that there is no indication of impairment on these assets as of 30 June 2011.

11 Share capital

(a) Authorised and issued share capital

	Number of shares of US$1 each	Nominal amount US$'000
Authorised:		
As at 1 January 2010, 30 June 2010, 1 January 2011 and 30 June 2011	75,000,000	75,000

	Number of shares	US$'000
Issued and fully paid:		
As at 1 January 2010	51,279,174	51,279
Issue of shares under the Company's share option scheme (note)	455,444	455
As at 30 June 2010	51,734,618	51,734
Issue of shares under the Company's share option scheme (note)	8,535	9
As at 1 January 2011 and 30 June 2011	51,743,153	51,743

Note:

Issue date	29 January 2010	25 June 2010	28 June 2010	28 June 2010	30 December 2010
Number of ordinary share of US$1 each allotted and issued by the Company	35,266	102,320	288,067	29,791	8,535
Issue price (£)	1.090	1.090	1.090	1.535	1.750
Aggregate cash consideration received (US$'000)	62	166	461	67	23
Weighted average share price at the exercise date (£)	1.94	3.15	3.15	3.15	5.00

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

11 Share capital (Continued)

(b) Share option schemes

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

The following share options were outstanding under the HCML Share Option Scheme as at 30 June 2011:

Name or category of participant	Effective date of grant	Exercise period of share options	Exercise price	Number of shares subject to the options
Directors				
Christian Hogg	19 May 2006 (notes (i) & (ii))	On Admission to 3 June 2015	£1.090	768,182
Johnny Cheng	25 August 2008 (note (iii))	From 25 August 2008 to 24 August 2018	£1.260	256,146
Employees in aggregate	19 May 2006 (notes (i) & (ii))	On Admission to 3 June 2015	£1.090	128,030
	11 September 2006 (note (ii))	From 11 September 2006 to 18 May 2016	£1.715	80,458
	18 May 2007 (note (iv))	From 18 May 2007 to 17 May 2017	£1.535	52,182
	28 June 2010 (note (iii))	From 28 June 2010 to 27 June 2020	£3.195	102,628
	1 December 2010 (note (iii))	From 1 December 2010 to 30 November 2020	£4.967	227,600
	24 June 2011 (note (iii))	From 24 June 2011 to 23 June 2021	£4.405	150,000
				1,765,226

11 Share capital (Continued)

(b) Share option schemes (Continued)

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

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

	2011		2010	
	Average exercise price in £ per share	Number of options	Average exercise price in £ per share	Number of options
As at 1 January	1.84	1,615,226	1.17	1,757,302
Granted	4.41	150,000	3.20	102,628
Exercised	-	-	1.12	(455,444)
Lapsed	-	-	1.54	(8,325)
As at 30 June	2.06	1,765,226	1.33	1,396,161

The Company has no legal or constructive obligation to repurchase or settle the share options in cash. Save as mentioned above, no other share options under the HCML Share Option Scheme were granted, cancelled, exercised or lapsed during the six months ended 30 June 2011.

Notes:

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

(ii) The share options granted to certain founders of the Company are subject to, amongst other relevant vesting criteria, the vesting schedule of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009. The share options granted to non-founders of the Company are subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.

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

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

(v) As at 30 June 2011, the fair value of share options in connection with the 1,765,226 share options outstanding as at the same date remain unvested was amounting to £685,000 (equivalent to US$1,095,000). The amount is to be recognised as expense of the Group over the remaining vesting periods of the relevant share options as mentioned in the notes (iii) to (iv) above. The amount recognised as expenses for the period ended 30 June 2011 amounted to US$251,000 (2010: US$31,000).

11 Share capital (Continued)

(b) Share option schemes (Continued)

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

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

	Effective date of grant of share options						
	19 May 2006	11 September 2006	18 May 2007	25 August 2008	28 June 2010	1 December 2010	24 June 2011
Value of each share option	£1.546	£0.553	£0.533	£0.569	£1.361	£1.995	£1.841
Significant inputs into the valuation model:							
Exercise price	£1.090	£1.715	£1.535	£1.260	£3.195	£4.967	£4.405
Share price at effective grant date	£2.5050	£1.7325	£1.5400	£1.2600	£3.1500	£4.6000	£4.3250
Expected volatility (notes (i) to (iv))	38.8%	38.8%	40.0%	35.0%	49.9%	48.43%	46.61%
Risk-free interest rate	4.540%	4.766%	5.098%	4.700%	3.340%	3.36%	3.13%
Expected life of options	1.2 to 3.9 years	3.4 to 5.3 years	3.9 to 5.7 years	7.1 to 8.0 years	6.25 years	6.25 years	6.25 years
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%

Notes:

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

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

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

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

11 Share capital (Continued)

(b) Share option schemes (Continued)

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

The following share options were outstanding under the HMHL Share Option Scheme as at 30 June 2011:

Category of participants	Effective date of grant	Exercise period of share options	Exercise price	Number of shares subject to the options
Employees in aggregate	6 August 2008 (note (i))	From 6 August 2008 to 5 August 2014	US$1.28	3,997,000
	5 October 2009 (note (i))	From 5 October 2009 to 4 October 2015	US$1.52	358,000
	1 February 2010 (note (i))	From 1 February 2010 to 31 January 2016	US$2.06	210,000
	3 May 2010 (note (i))	From 3 May 2010 to 2 May 2016	US$2.12	360,000
	2 August 2010 (note (i))	From 2 August 2010 to 1 August 2016	US$2.24	286,000
	22 November 2010 (note (i))	From 22 November 2010 to 21 November 2016	US$2.36	240,000
	18 April 2011 (note (i))	From 18 April 2011 to 17 April 2017	US$2.36	1,342,769
				6,793,769

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

	2011		2010	
	Average exercise price in US$ per share	Number of options	Average exercise price in US$ per share	Number of options
As at 1 January	1.48	5,593,500	1.30	4,632,000
Granted	2.36	1,342,769	2.10	570,000
Lapsed	1.28	(142,500)	1.28	(74,750)
As at 30 June	1.65	6,793,769	1.39	5,127,250

The Group has no legal or constructive obligation to repurchase or settle the share options in cash. Save as mentioned above, no other share options under the HMHL Share Option Scheme were granted, cancelled or exercised or lapsed during the six months ended 30 June 2011.

11 Share capital (Continued)

(b) Share option schemes (Continued)

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

Notes:

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

(ii) As at 30 June 2011, the fair value of share options in connection with the 6,793,769 share options outstanding as at the same date remain unvested was amounting to US$1,337,000. The amount is to be recognised as expense of the Group over the remaining vesting periods of the relevant share options as mentioned in the note (i) above. The amount recognised as expenses for the period ended 30 June 2011 amounted to US$205,000 (2010: US$51,000).

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

	Effective date of grant of share options						
	6 August 2008	5 October 2009	1 February 2010	3 May 2010	2 August 2010	22 November 2010	18 April 2011
Value of each share option	US$0.034	US$0.027	US$0.414	US$0.361	US$0.258	US$0.900	US$0.923
Significant inputs into the valuation model:							
Exercise price	US$1.280	US$1.520	US$2.060	US$2.120	US$2.240	US$2.360	US$2.360
Share price at effective grant date	US$0.270	US$0.261	US$1.212	US$1.098	US$1.030	US$2.048	US$2.048
Expected volatility (note)	53%	53%	53%	54%	49%	55%	55%
Risk-free interest rate	3.293%	2.564%	2.790%	2.772%	2.007%	1.790%	2.439%
Expected life of options	4.6 to 5.8 years	6 years	6 years	6 years	6 years	6 years	6 years
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%

Note:

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

12 Bank borrowings

As at 30 June 2011, the total available amount under the facilities was approximately HK$270,000,000 (equivalent to US$34,615,000), of which HK$265,200,000 (equivalent to US$34,000,000) was drawn down.

The Group's short-term bank loans are unsecured and are mainly denominated in Hong Kong dollar. The carrying amount of these bank loans approximates their fair values.

13 Deferred income

Deferred income represents upfront payments and government grants received by the Group and its jointly controlled entities in respect of their pharmaceutical research and development activities.

14 Convertible preference shares

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

15 Notes to condensed consolidated statement of cash flows

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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Profit for the period	119	117
Adjustments for:		
Taxation charge	2,556	1,958
Share-based compensation expenses	456	82
Amortisation of trademarks and patents	85	84
Amortisation of leasehold land	72	69
Provision for inventories	112	172
Depreciation on property, plant and equipment	2,042	2,063
Loss on disposal of property, plant and equipment	103	217
Interest income	(64)	(115)
Interest expense	229	200
Exchange differences	647	(297)
Operating profit before working capital changes	6,357	4,550
Changes in working capital:		
- decrease/(increase) in inventories	3,930	(5,466)
- increase in trade and bills receivables	(23,156)	(12,076)
- (increase)/decrease in other receivables and prepayments	(738)	1,228
- increase in trade payables	614	1,786
- increase in other payables, accruals and advance receipts	6,097	5,441
- (decrease)/increase in deferred income	(527)	196
Net cash used in operations	(7,423)	(4,341)

15 Notes to condensed consolidated statement of cash flows (Continued)

(b) Acquisition of additional interest in a jointly controlled entity

During the period, a subsidiary of the Group, HMPL, acquired a 50% interest in the enlarged capital of Qing Yuan Baiyunshan Hutchison Whampoa ChuanXinLian R&D Limited ("CXL") by injection of Renminbi 2 million (equivalent to US$308,000) to CXL as additional capital. CXL was formerly a wholly owned subsidiary of HBYS, which is a jointly controlled entity of the Group. After the transaction, the Group's effective interest in CXL increased from 40% to 70%.

16 Capital commitments

The Group had the following capital commitments at the reporting date:

	30 June 2011 US$'000	31 December 2010 US$'000
Property, plant and equipment		
Authorised but not contracted for	-	-
Contracted but not provided for	296	203
	296	203

17 Significant related party transactions

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

	Six months ended 30 June	
	2011 US$'000	2010 US$'000
Sales of goods to		
- Fellow subsidiaries	2,886	2,975
Purchase of goods from		
- A non-controlling shareholder of a subsidiary	2,551	2,053
Management service fee to		
- An intermediate holding company	439	432

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

17 Significant related party transactions (Continued)

	30 June 2011 US$'000	31 December 2010 US$'000
Balances with related parties included in:		
Amount due from a related party:		
- A non-controlling shareholder of a subsidiary (note (i))	3,010	3,010
Trade receivables due from related parties:		
- Fellow subsidiaries (note (ii))	2,619	2,153
Trade payables due to a related party:		
- A non-controlling shareholder of a subsidiary (note (ii))	1,957	1,432
Amounts due to related parties:		
- Immediate holding company (note (ii))	4,669	3,601
- A non-controlling shareholder of a subsidiary (note (ii))	-	13
	4,669	3,614

Note:

(i) The amount due from a non-controlling shareholder of a subsidiary bears interest at LIBOR plus 3%. The amount is wholly repayable before December 2012 and is secured by the shareholder's 20% equity interest in Hutchison BYS (Guangzhou) Holding Limited, an 80% owned subsidiary of the Group.

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

18 Subsequent event

In July 2011, HBYS entered into an agreement to acquire 60% equity interest in a Good Supply Practice drug distribution company at a consideration of approximately US$3.2 million. The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the second half of year 2011.