HUTCHISON CHINA MEDITECH LTD

Hutchison China MediTech Limited ("Chi-Med")

(AIM: HCM)

Final Results for the year ended 31 December 2011

Strong growth. Positive outlook.

London: Tuesday, 20 March 2012: Chi-Med today announces its final results for the year ended 31 December 2011.

Consolidated Group Results – strong progress across China Healthcare and Drug R&D Divisions

- Revenue up 24% to $166.9 million (2010: $134.5m).
- Operating profit of $5.4 million (2010: operating loss $2.2m).
- Net profit attributable to Chi-Med equity holders of $0.7 million (2010: net loss $6.9m).
- Solid cash position. Cash and cash equivalents and unutilised bank loan facilities of $85.7 million. Net cash $23.7 million.

China Healthcare Division – continued profitable growth

- Sales of subsidiaries and jointly controlled entities up 17% to $271.0 million (2010: $231.2m). Organic expansion combined with growth from new distribution business.
- Net profit attributable to Chi-Med equity holders up 11% to $14.0 million (2010: $12.7m) or up 13% excluding one-time exchange gain in 2010.

Drug R&D Division – strong progress of clinical portfolio; continues to self fund

- Revenue up 258% to $14.8 million (2010: $4.1m) and net loss attributable to Chi-Med equity holders reduced by 70% to $3.7 million (2010: -$12.3m) mainly due to increased licensing income.
- AstraZeneca PLC oncology licensing deal on Volitinib – $20 million received upfront, substantial success-based development and commercial milestones and up to double-digit royalties on net sales.
- Progressing four small molecule oncology drugs in Phase I trials in China, started Volitinib Phase I in Australia, and preparing for lead inflammation candidate HMPL-004 for global Phase III trial.

Consumer Products Division – steady expansion

- Sales up 26% to $13.0 million (2010: $10.3m). Strong performance of organic and natural products.
- Net loss attributable to Chi-Med equity holders of $2.8 million (2010: -$1.5m) mainly due to investments in China expansion of organic infant formula.

Christian Hogg, Chi-Med CEO, said:

"2011 was another good year for Chi-Med, making particularly strong progress in our China Healthcare and Drug R&D Divisions. With Group revenue increasing by 24%, we delivered our maiden net profit and ended the year with a solid cash position and the prospects of continued further substantial growth.

Rapid growth in the prescription drug business of our China Healthcare Division offset the slightly slower growth in

over-the-counter ("OTC") drug sales caused by the price increases we took to accommodate increased costs in certain raw materials. As expected, these raw material costs have now either dropped back, or stabilised, and the rate of growth of OTC drug sales have improved.

Our Drug R&D Division has reinforced its position as one of China's leading oncology and immunology research and development operations. It further expanded its clinical portfolio and, in December 2011, signed a major licensing agreement with AstraZeneca PLC ("AstraZeneca"). As a result, it self-funded for a second straight year. Its leading drug, HMPL-004, is now readying for Phase III trials. Based on the depth of its clinical portfolio and strength of our Group, we believe that this division has the potential to create transformational value over the coming years.

Our Consumer Products Division has continued to rapidly build its organic and natural products sales. It has increased its investment in expanding our infant nutrition business in China and it has solidly grown retail sales of Sen beauty care products.

Looking ahead, our China Healthcare Division is set to continue benefitting from the increasing healthcare spending by the Chinese government and, year to date, its sales and profit are well ahead of the corresponding period last year. Our Drug R&D Division has demonstrated its ability to attract global partners to support its pipeline of oncology and immunology drugs and is set to continue to strengthen it. And our Consumer Products Division provides potential in becoming a third China growth engine for the Group. Overall, we look forward to delivering continued growth in shareholder value in 2012."

The Annual General Meeting of Chi-Med will be held at 4th Floor, Hutchison House, 5 Hester Road, Battersea, London on Friday, 11 May 2012 at 11:00 a.m.

Ends

Enquiries

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

It is good to report on another successful year for Chi-Med, a year in which we made several major breakthroughs, and to be able to look forward to another strong performance for 2012.

Chi-Med and its subsidiaries (the "Group") grew consolidated sales by 24% to $166.9 million, delivered an operating profit of $5.4 million, up from an operating loss of $2.2 million in 2010, and a net profit attributable to Chi-Med equity holders of $0.7 million as compared to a net loss of $6.9 million in 2010.

Despite challenges in the global economy, and some inflationary pressures in China during the past three years, the scale and pace of growth of China's economy remain strong, and we continue to believe in its 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 and increasing economies of scale, as well as the benefits of the experience and synergies of Hutchison Whampoa Limited ("HWL").

Our goal continues to be the building of a unique, well-balanced portfolio of fast growth and profitable pharmaceutical and health related consumer products businesses in China. We have made good progress against this objective since our listing in 2006 and we are confident of making further strong progress in the years ahead.

Our China Healthcare Division made continued progress in growing profitability with the Drug R&D Division significantly expanding its clinical activity and secured new external funding through licensing. The Consumer Products Division made steady progress broadening its operations.

China Healthcare Division

Our China Healthcare Division is an established, stable, and diversified China pharmaceuticals operation with exciting growth prospects based on its market leading products and the rapid expansion of the pharmaceutical industry in China. This is being driven by the increase in the government spending on national healthcare, as well as the upgrading of living standards, translating into an increasingly strong source of profit and cash for the Group.

Over the past twelve years, we have built a China pharmaceutical business which manufactures and sells over 6 billion doses of household name branded medicine a year through an established manufacturing and commercial network to both the prescription and the OTC drug markets. In 2009 and 2010, we faced raw material inflation for some of our OTC drugs and increased our prices to protect our profitability and saw a decline in the rate of growth of these products. However, as expected, these raw material costs have now either dropped or stabilised and we are seeing an up-lift in our sales growth rate.

The macro trend in the pharmaceutical industry in China is positive as the Chinese government continues to broaden social medicine and uses healthcare reform to consolidate and improve efficiency in the industry. As an established scale player in the markets in which we compete, we are well positioned to benefit from these trends. We are also planning to move and considerably expand the manufacturing capacity of our joint ventures in Shanghai and Guangzhou within the next three years. We have raised specific financial facility to support this move, although we believe that the potential profits on disposal of the existing manufacturing sites will help to cover relocation and expansion costs.

Drug R&D Division

Over the past ten years, we have invested approximately $100 million in establishing China's leading end-to-end

oncology and immunology drug R&D operation. We are creating highly innovative therapies for launch in the fast growth China market and the global market.

We were one of the first companies to establish world-class drug research and development operations in China and as such enjoy first-mover advantage. Since its inception in 2001, Hutchison MediPharma Limited ("HMP") has enjoyed stable financial support, originally from HWL and since IPO from Chi-Med and external investors. This stability has enabled HMP to focus on building and maintaining a unique highly productive discovery team, which has built a strong pipeline of new drugs in oncology and immunology. We believe that these drugs have great potential, both in the fast growth China market and, in a number of cases, on a global level.

We believe that HMP has the ability to create substantial value in the coming years. The recent licensing deal with AstraZeneca does much to validate HMP's status and drug pipeline. We see considerable potential in its expanding clinical activities, and HMPL-004, our leading drug candidate, is now proceeding to commence Phase III trials this year.

Consumer Products Division

Our Consumer Products Division is an extension of our China operation which enables Chi-Med to capture part of the growing consumer trend towards healthy living and to capitalise on the considerable consumer products synergies with the broader HWL group. We aim to build a profitable scale business over the coming five years behind a portfolio of relevant and unique health-related consumer products.

Over the past three years, we have built a solid foundation for this division and we are now seeing increasing momentum. We have a growing team with solid consumer products know-how in China, a strong partner in The Hain Celestial Group, Inc. (NASDAQ: HAIN) ("Hain Celestial") and, more importantly, access to the broad retail and distribution network of HWL.

Cash and Finance

We have maintained a strong cash position. Our Drug R&D Division secured a $20 million up-front cash payment in December 2011, through its licensing deal with AstraZeneca on Volitinib. On a group level, we established an additional three-year loan facility of approximately $27 million in December 2011, guaranteed by HWL and representing in our view, a practical, cost efficient and non-dilutive financing option for Chi-Med.

Overall, we ended 2011 with cash and cash equivalents and unutilised bank loan facilities totalling $85.7 million, and a net cash position of $23.7 million.

Dividend

The Board has decided not to recommend a dividend for the year ended 31 December 2011. We continue to believe we can create greater shareholder value by investing in the growth opportunities we see in China.

Future Change to IFRS Accounting Rule

The International Accounting Standard Board ("IASB") has published a new standard on the accounting treatments for Jointly Controlled Entities ("JCE"), IFRS11 "Joint Arrangements" ("IFRS 11"), which will come into effect on 1 January 2013 and means that the Income Statements and Statement of Financial Position of JCEs will no longer be consolidated on a proportional basis. For Chi-Med, the proposed change will make the 50:50 Shanghai Hutchison Pharmaceuticals Limited ("SHPL") and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") joint ventures within our China Healthcare Division thus to be treated as equity investments in Chi-Med's consolidated accounts. This will not affect either the way we operate SHPL and HBYS, the synergies the Group gains from these operations, or the net profit attributable to Chi-Med

shareholders from these JCEs.

The Board

The Chi-Med Board (the "Board") has worked together as a group for over six years. Our Chief Financial Officer, Mr Johnny Cheng, was appointed as an executive director in 2011. 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. I very much appreciate their involvement and I thank them all for their efforts.

Thanks to Employees and Outlook

As we look ahead, on the basis of Chi-Med continuing its success, we can see the Group continuing to build considerable shareholder value. I wish to thank all our 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, 19 March 2012

CHIEF EXECUTIVE OFFICER'S STATEMENT

Group Results

Chi-Med delivered strong growth in 2011, with consolidated Group sales up 24% to $166.9 million (2010: $134.5m). This reflected continued organic growth in our China Healthcare Division, with proportionally consolidated sales up 16% to $139.2 million (2010: $120.1m); a strong increase in revenue in our Drug R&D Division from its drug discovery collaborations and licensing income to $14.8 million (2010: $4.1m) and continued growth in Consumer Products Division sales to $13.0 million (2010: $10.3m) from geographical expansion.

The Group recorded a full year operating profit of $5.4 million (2010: operating loss $2.2m). The growth in China Healthcare Division's profit, dramatically reduced losses in the Drug R&D Division, resulting from tight cost controls and the global licensing deal with AstraZeneca on Volitinib, were only partially offset by higher Consumer Products Division operating losses resulting from its expansion of organic infant formula in China.

Group net overhead costs increased to $5.8 million (2010: $5.1m) reflecting an increase of $0.4 million in non-cash charges associated with the employee share option schemes of Chi-Med.

Finance costs were $0.6 million (2010: $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 the credit facility of Chi-Med.

Profit attributable to minority interests dropped to $1.0 million (2010: $1.7m) as Chi-Med increased indirect ownership in HBYS and Hain Celestial carried its share of investment costs on Hutchison Hain Organic Holdings Limited ("HHO").

Chi-Med's tax charge was $3.1 million (2010: $2.6m) reflecting the growth in profitability of the China Healthcare Division, which continues to benefit from the low enterprise income tax rates of 15% on both HBYS and SHPL resulting from their High and New Technology Enterprise status. HHL, our third profitable China entity will not pay any tax this year due to 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 $0.7 million (2010: $0.6m).

In total, the Group recorded a net profit attributable to Chi-Med equity holders of $0.7 million compared to a net loss of $6.9 million in 2010, and profit per share of 1.4 US cents in 2011 compared to a loss per share of 13.3 US cents in 2010.

The Group continues to maintain a stable financial position. As at 31 December 2011, net assets were $77.3 million, including cash and cash equivalents totalling $53.8 million (31 December 2010: $45.3m). In aggregate, total bank borrowing was $30.0 million (31 December 2010: $24.5m) giving the Group a net cash position of $23.7 million (31 December 2010: $20.8m) and debt to equity ratio of 46.4% (31 December 2010: 41.1%). Cash available to the Group, including cash and cash equivalents on hand and unutilised bank loan facilities, totalled $85.7 million (31 December 2010: $55.3m).

China Healthcare Division

Our China Healthcare Division is an established, stable, and diversified China pharmaceuticals operation. It has exciting growth prospects based on its market leading products and the rapid expansion of the pharmaceutical industry in China. This is being driven by the increase in the government spending on national healthcare, as well as the upgrading of living standards, translating into an increasingly strong source of profit and cash for the Group.

In 2011, sales of its subsidiaries and JCEs of the China Healthcare Division grew 17% to $271.0 million (2010: $231.2m) primarily from organic growth of existing products as well as some growth from HBYS' new Good Supply Practice ("GSP") distribution subsidiary. Consolidated net profit attributable to Chi-Med equity holders from the Division increased 11% to $14.0 million (2010: $12.7m) or 13% excluding the $0.3 million one-time exchange gain from repayment of SHPL shareholder loans in 2010.

We view 2011 as a year of solid overall performance which again highlighted the diversified strength of our China Healthcare Division. Continued surging growth in our outstanding prescription drug business more than offset slightly slower growth in our OTC drug business caused by our aggressive price increases which were aimed at offsetting price increases on certain raw materials, and a drop in sales of our supplements business which resulted from our conscious decision to tighten working capital and reduce distributor inventories on HHL.

The China Healthcare Division has three operating entities – a prescription drug company, SHPL, which is a 50:50 joint venture with a wholly-owned subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd. (SHA: 601607) ("SPG"); an OTC drug business, HBYS, which is a 50:50 joint venture with Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (SHE: 000522) ("GBP"); and a wholly-owned nutritional supplements company, HHL**.**

The Division manufactures and sells two household name brands in the pharmaceutical industry in China, the OTC brand Bai Yun Shan (meaning "White Cloud Mountain", a famous scenic area in Guangzhou) and the Shang Yao brand (literally meaning "Shanghai Pharmaceuticals"). Our products have strong representation on the current Medicines Catalogue for the National Basic Medical Insurance, Labour Injury Insurance and Childbirth Insurance Systems ("NMC") as well as the current National Essential Medicines List ("Essential Medicines List") that mandates distribution of drugs in China. We focus mainly on products and brands that have leadership market shares in the Chinese cough-cold and cardiovascular drug markets.

The China Healthcare Division employs over 4,000 staff in two large-scale factories in Guangzhou and Shanghai, and in sales, marketing, and distribution operations across all of China.

Our product portfolio remains well diversified. While we own product licenses for over 200 drugs and registered health supplements in China, over 89% of our China Healthcare Division's sales in 2011 came from nine core products – six of them are OTC drugs, two prescription drugs, and one nutritional supplement.

Prescription Drugs – SHPL

SHPL grew prescription drug sales 30% to $92.4 million in 2011 (2010: $71.2m) all of which was from existing products. Since 2005, its compound annual sales growth has averaged 26%. This 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 holds a portfolio of 73 registered drug licenses in China. At the end of 2011, a total of 34 SHPL products (2010: 34) were included in the NMC with 19 designated as Type-A and 15 as Type-B and that 99% of all SHPL sales in 2011 could be reimbursed under the National Basic Medical Insurance, Labour Injury Insurance and Childbirth Insurance Systems ("National Insurance Systems"). In addition, a total of 14 SHPL drugs, of which four are in active production, were included on the Essential Medicines List with one of these drugs being She Xiang Bao Xin pill ("SXBXP"), SHPL's proprietary cardiovascular prescription drug.

Sales of SXBXP grew 32% to $79.4 million (2010: $60.4m) making it the China Healthcare Division's single largest product. SHPL is the only manufacturer of SXBXP in China, and the intellectual property of the drug remains protected until late 2016. SXBXP is included on the Essential Medicines List and remains Type-A NMC drug status, which means it is fully reimbursed in all provinces under the NMC.

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 traditional Chinese medicine cardiovascular prescription drugs in Shanghai (IMS Health 2010***)***. Expansion has been helped by the gradual roll-out of the Essential Medicines List. In 2011, SHPL's sales in its east China stronghold of Shanghai, Jiangsu and Zhejiang provinces grew 21% to $47.2 million (2010: $39.1m) while at the same time, its sales beyond east China again surged 41% to $45.3 million (2010: $32.1m). Sales beyond east China represented 49% of SHPL's total sales in 2011, compared to 45% in 2010, clearly indicating a continued broadening of our national presence.

The "Confidential State Secret Technology" status protection on SXBXP, as certified by China's Ministry of Science and Technology and State Secrecy Bureau has been extended by seven years until late 2016. In addition, SHPL has redoubled efforts to patent SXBXP for the long-term with one 20-year patent and three 10-year patents submitted in the past three years, two of which were awarded in 2010 and two remain under review.

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 22% to $9.9 million (2010: $8.1m) and 29% to $1.8 million (2010: $1.4m) respectively. Dan Ning tablet is a unique Type-B NMC drug with patent protection lasting until 2027.

As well as its strong portfolio of reimbursed prescription drugs and its trusted Shang Yao brand, SHPL's main strength remains 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 against entrenched competitors, and quickly generating financial return on investment. At the end of 2011, SHPL had over 1,300 medical sales representatives and marketing staff (2010: 1,200), managing distribution and sales of SXBXP in over 9,600 hospitals (2010: 7,400) in China. This still only covers some 44% of over 21,600 hospitals in China

(National Bureau of Statistics of China 2011), indicating the substantial remaining expansion potential.

OTC Drugs – HBYS

OTC drug sales in HBYS increased 13% in 2011 to $171.3 million (2010: $151.1m), which was a combination of 6% organic growth in existing products and 7% growth from HBYS' new GSP distribution subsidiary.

HBYS holds a portfolio of 147 registered drug licenses in China. By the end of 2011, a total of 62 HBYS products (2010: 62) were included in the China NMC with 28 designated as Type-A and 34 as Type-B and that 68% of all HBYS sales in 2011 could be reimbursed under the National Insurance Systems. In addition, a total of 24 HBYS drugs, of which six are in active production, were included on the Essential Medicines List.

In 2011, HBYS' six main products accounted for 85.5% of HBYS sales (2010: 91.8%) indicating a move towards product diversification through both the growth of the broader HBYS line as well as expansion of our GSP distribution activities. These products are Banlangen granules, an anti-viral treatment; Fu Fang Dan Shen ("FFDS") tablets, principally for angina; Kou Yan Qing granules for periodontitis; Xiao Yan Li Dan tablets for liver/gallbladder; Chuan Xin Lian tablets for inflammation; and Nao Xin Qing tablets for coronary diseases and cerebral arteriosclerosis.

Sales of Banlangen, HBYS' market leading generic anti-viral, grew 8% in 2011 to $57.2 million (2010: $53.0m), an encouraging return to growth after a drop in 2010. During 2009 and 2010, the cost of Banlangen raw material increased sharply due to both negative climatic events (drought/floods), and increased consumption around the 2009 H1N1 outbreak. We raised ex-factory prices to protect our margins, and this inevitably led to some volume softness on Banlangen in late 2010 and early 2011. As predicted however, the relatively short six-month planting-to-harvest cycle for Banlangen led to an increase in the supply of Banlangen raw materials during 2011, and their costs are now not materially higher than in 2009.

FFDS tablet, HBYS' OTC treatment for angina, sales fell 3% in 2011 to $57 million (2010: $58.8m). Prices for the raw materials used in FFDS also increased rapidly during 2009 and 2010 driven, we believe, more due to speculation as several companies in China stockpiled the raw materials in order to profit by selling to manufacturers at higher prices. During early 2010 HBYS implemented major price increases on FFDS of 24% and a further 8% in early 2011 which led to the softness in volume. The cost of FFDS raw materials remains stable, albeit relatively high, but we expect that the supply of these raw materials will increase during 2012 and prices will drop materially. HBYS remains a market leader in the China generic FFDS market.

In 2011, 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 22% to $15.4 million (2010: $12.6m) and 13% to $10.4 million (2010: $9.2m) respectively. We believe that both products continue to have the potential to become important contributors for HBYS over the next five years.

In July 2011, HBYS invested approximately $3.2 million for a 60% equity interest in a GSP China drug distribution company named Nanyang Baiyunshan Hutchison Whampoa Guanbao Pharmaceutical Company Limited ("NBHG"). Our strategy for NBHG is to use it as a vehicle to sell complementary third party products in China through the HBYS sales organisation. This should allow HBYS to generate synergies from its OTC sales team and distributor network in China. During late 2011, NBHG entered into two strategic product distribution agreements with affiliates of GBP thereby materially broadening the range of OTC products it sells. The operations of NBHG commenced in September 2011 and recorded sales of $11.4 million (2010: nil) by the end of the year.

Nutritional Supplements – HHL

In 2011, the sales of our wholly-owned subsidiary HHL declined 18% to $7.3 million (2010: $9.0m) as a result of both a conscious tightening of working capital during the year and a focus of our HHL commercial organisation on other Group priorities, namely our launch of organic infant formula.

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 2011, we operated 14 sales offices across China and sold products in more than 140 cities either through over 90 wholesalers or direct to over 50 national supermarket chains, over 30 drug store chains, and approximately 3,700 mother/baby shops and 1,200 hospitals.

Pregnancy supplementation is an important market in China, due in part to China's one-child policy and the importance a mother and family places on her single pregnancy. HHL currently sells three ZLT licensed health supplement products: ZLT DHA capsules, the omega-3 product for use by pregnant and lactating women to promote brain and retinal development in babies; ZLT calcium powder for bone growth; and ZLT probiotic powder for toddler immunity. Sales of all three products dropped in 2011 as we reduced key distributor inventories by over $1.3 million and tightened receivables. We consciously made these moves to tighten working capital in this relatively small part of our business and allow more of the Group's shared resources to be put behind the strategically important ZLT organic infant formula launch.

Property Update on SHPL/HBYS Production Expansion:

As reported in our 2011 interim results announcement, driven by the rapid growth of our China Healthcare Division over the past six years, combined with the implementation of new Good Manufacturing Practice standards by China State Food and Drug Administration ("SFDA") for pharmaceuticals in China, we are actively considering the relocation and expansion of both the SHPL and HBYS manufacturing sites over the next three years.

We believe that, based on market precedent and third party evaluations, the aggregate compensation payments receivable by SHPL and HBYS, the affected land use rights owners, from local governments, which are generally a portion of the auction value of the land, should exceed our costs to cover the relocation and expansion of production capacity in SHPL and HBYS.

IFRS Rule Change

In May 2011, after several years of consultation, IASB published IFRS 11, which establishes new principles for the financial reporting by parties to a joint arrangement. The primary accounting change under IFRS 11 will be that from 1 January 2013, the income statement and statement of financial position of a JCE will no longer be consolidated on a proportional basis and both SHPL and HBYS will be treated as equity investments in Chi-Med's consolidated Group accounts. This will affect neither the way we operate SHPL and HBYS, the synergies the Group gains from these operations, or the net profit attributable to Chi-Med shareholders from these JCEs, but it will affect the way we prepare our accounts.

The China Healthcare Division has two JCEs, SHPL and HBYS. For SHPL, Chi-Med and our partner, SPG, each assign three directors to a six-person board, and Chi-Med holds the unilateral right to nominate the general manager. For HBYS, the offshore 80% Chi-Med controlled holding company of the HBYS shares and our partner, GBP, assign three directors to a six-person board and each party holds the right to nominate the general manager for a four year term on a rotating basis.

Through our rights to nominate the general manager, we effectively control day-to-day operations of both JCEs,

an important threshold of control but such control which we believe, is not being recognised under IFRS 11. While we fully intend to comply with IFRS 11, henceforth we will discuss the results of the China Healthcare Division in the manner used in this announcement: 1) total sales of subsidiaries and JCEs; and 2) consolidated net profit attributable to Chi-Med equity holders.

Drug R&D Division

Over the past ten years we have invested approximately $100 million in establishing China's leading end-to-end oncology and immunology drug R&D operation. We are creating highly innovative therapies for launch in the fast growth China market and the global market.

HMP revenues jumped to $14.8 million in 2011 (2010: $4.1m) reflecting continued research and milestone payments from discovery collaborations with Eli Lilly and Company ("Eli Lilly") and Ortho-McNeill-Janssen Pharmaceuticals, Inc. ("J&J") and income from the global licensing deal with AstraZeneca on our small molecule targeted cancer drug, Volitinib. Consequently, net loss attributable to Chi-Med equity holders dropped 70% to $3.7 million (2010: -$12.3m).

Our global licensing deal with AstraZeneca on Volitinib, represents what we believe is the first deal of this type to progress a China discovered targeted oncology drug towards the global market. The scale of this deal is a clear validation of the discipline and capability of the HMP discovery, pharmaceutical sciences, and clinical organisations. It earned a $20 million upfront payment with up to $120 million contingent upon the successful achievement of clinical development and first sale milestones, together with significant future commercial sale milestones and up to double-digit percentage royalties on net sales. We believe this should raise confidence in the value of the balance of the HMP drug portfolio which, as at the end of 2011, included six active drug candidates in clinical trials – one successfully through Phase IIb, two nearing the end of Phase I, and three, including Volitinib, at the start of Phase I – as well as two further internal drug candidates in late-stage discovery.

HMP Research and Development Strategy

Our HMP organisation is set up to support and fund research and development of our drug candidates against targets, generally proteins or enzymes, associated with the pathogenesis of cancer or inflammation. We employ a diversified portfolio approach focusing on three main areas:

Synthetic compounds against novel targets: We conduct research and development of small molecule cancer drugs against highly novel targets such as c-Met. These targets present global opportunities with best-in-class or first-in-class potential and are appealing to global pharmaceutical companies with the ability to invest in targets which have not yet been validated in human trials. Our approach in this area is to partner our products at earlier development phases in order to mitigate risk while accelerating drug development globally. In addition to Volitinib, HMP's two late-stage discovery programmes fit into this area.

Synthetic compounds against validated targets: Our second area of focus is the research and development of small molecule drugs against validated targets, such as Epidermal Growth Factor Receptor ("EGFR") and Vascular Endothelial Growth Factor Receptor ("VEGFR"), which already have had therapies launched on the global market, but are only approved for limited applications in China. The rationale for this approach is two-fold: 1) rapid development of such products for launch in the fast growth China market, and 2) if unique properties are identified on our drugs we would launch in global markets through partnership. HMP's EGFR inhibitors, Epitinib and Theliatinib, and VEGFR inhibitors Sulfatinib and Fruquintinib fit into this area.

Botanical Drugs against multiple targets: The third area of research and development focus is botanical drug development in accordance with the US Food and Drug Administration's ("FDA") publication of guidelines for

botanical drugs products in 2004. Botanical product development provides a new source of innovation for the global pharmaceutical industry with its multiple active components often acting synergistically on multiple targets. Over the past ten years, HMP, through its presence in China and global development and regulatory activities, has built unique expertise in the field of botanical drug development and has achieved clinical success with HMPL-004, our drug candidate for Inflammatory Bowel Disease ("IBD"). HMP's internal botanical component library, which contains over 1,500 purified natural products and over 50,000 extracts/fractions from over 1,200 different plants, also provides new substrates for small molecule drug discovery. HMP has worked with various global pharmaceutical partners, such as Merck Serono and Procter & Gamble, on botanical drug research using its established botanical technology platforms.

Product Pipeline Progress (in order of clinical progression)

HMPL-004: A proprietary botanical drug for the treatment of IBD, namely ulcerative colitis and Crohn's disease.

Current Treatments and Clinical Trials for IBD: The current standard of care for IBD starts with 5-aminosalicyclic acids (5-ASAs) which can induce and maintain clinical response and remission in approximately 50% of IBD patients. For the 5-ASA non-responding patients with moderate-to-severe active diseases, various forms of corticosteroids and immune suppressors and anti-TNF (Tumour Necrosis Factor) agents such as biologics are prescribed. These agents, though effective, are associated with many side effects, sometimes serious, and are not often suitable for prolonged usage.

The global market for IBD drug sales was approximately $5 billion in 2009 and that the overall market for IBD drugs is expected to expand from 2010 onwards (source: Visiongain). Furthermore, in the US about one million patients were being treated for IBD with approximate total market sales of $2.4 billion in 2010. In the US total sales of 5-ASAs in 2010 were estimated at approximately $0.9 billion with Warner Chilcott (Asacol™) and Shire (Lialda™ and Pentasa™) accounting for approximately $0.5 billion and $0.4 billion respectively. Sales of biologics for treatment of IBD in the US in 2010 were estimated at about $1.3 billion with J&J (Remicade™) and Abbott Laboratories (Humira™) accounting for approximately $0.6 billion and $0.5 billion respectively (source: NCI Analysis, June 2009).

Currently there are several new IBD drugs, both small molecules and biologics, in Phase II/III clinical trials around the world. We believe HMPL-004 will stand-out among these potential new drugs for two main reasons: 1) none of the novel therapies being tested utilises the same highly unique mechanism of action as HMPL-004 and 2) these new drugs are generally speaking focused on moderate-to-severe IBD versus our focus on the long-term treatment of mild-to-moderate IBD.

Unmet needs in IBD: There remain clear unmet medical needs in the treatment of IBD, namely, the need for novel agents which can induce and maintain remission among 5-ASA non-responding or intolerant patients, and the need for safer agents without the side effects of corticosteroids and immune suppressors.

Pre-clinical and Clinical Performance of HMPL-004: Extensive preclinical studies indicate that HMPL-004 exhibits its anti-inflammatory effects through the inhibition of multiple cytokines (proteins), both systemically and locally, which are involved in causing digestive tract inflammation. HMPL-004's efficacy in induction of clinical response, remission, and mucosal healing, as well as a clean safety profile have been established in multiple clinical trials. In the aggregate, the data have demonstrated HMPL-004's high potential to address IBD's unmet medical needs.

The Phase IIb ulcerative colitis trial was a multi-centre, double-blind, randomized and placebo-controlled study

conducted in 223 ulcerative colitis patients in the United States, Canada and Europe. Results were reported in November 2009. The three-arm clinical trial included 8 weeks treatment of HMPL-004 at two dose levels, 1,200mg per day or 1,800mg per day, vs. placebo. Completed data analysis demonstrated that all primary and key secondary endpoints were achieved. There were no treatment-related serious adverse events in either of the HMPL-004 arms reported by the investigators. Importantly, clinical efficacy, namely Response, Remission, and Mucosal Healing improved markedly as dose increased among the Intent-to-treat patient population (combination treatment with 5-ASAs) with the higher 1,800mg dose, outperforming 1,200mg and placebo in all areas: Clinical Response of the 1,800mg arm was 71% ($p = 0.001$) versus the 1,200mg arm 48% ($p = 0.17$) and placebo 35%; Remission of the 1,800mg arm was 39% ($p = 0.01$) versus the 1,200mg arm 32% ($p = 0.08$) and placebo 17%; and Mucosal Healing of the 1,800mg arm was 53% ($p = 0.007$) versus the 1,200mg arm 38% ($p = 0.23$) and placebo 27% respectively. This trial was recognised as the Distinguished Abstract Plenary oral presentation at Digestive Disease Week in 2010, a high honour in the global gastrointestinal disease field.

The Phase II Crohn's disease trial was a multi-centre, double-blind, randomized, and placebo-controlled study conducted in 101 Crohn's disease patients in the United States and Ukraine. Results were reported in July 2009. The two-arm clinical trial demonstrated a clear trend of efficacy for HMPL-004 at the 1,200mg per day dose level with no treatment-related serious adverse events. Clinical Response of the 1,200mg arm was 37% ($p = 0.087$) versus placebo 22%; and Remission of the 1,200mg arm was 29% ($p = 0.069$) versus placebo 14%.

A proof-of-concept study comparing HMPL-004 against the existing first-line treatment for ulcerative colitis conducted in 108 ulcerative colitis patients in China was reported in July 2007. The two-armed 8-week treatment study of HMPL-004 at 1,200mg per day dose versus 5-ASA (Mesalamine SR) at 4,500mg per day (highest label dose) demonstrated equal performance on Ulcerative Colitis Symptom Score Reduction (56% versus 59%) and Percent Effective Remission Rate (Remission + Partial Remission) at week 8 of 50% versus 46%.

Based on the safety window established by the above clinical trial results and the animal pharmacology and toxicology study results we believe there remains potential to increase the daily dose of HMPL-004. This, we believe, could further improve the already statistically significant ulcerative colitis efficacy as well as establish statistical significance versus placebo in Crohn's disease.

HMPL-004 Licensing Update: As previously announced HMP has been engaged in discussions to license HMPL-004 for co-development since reporting the positive Phase IIb results in November 2009. During this time, we have engaged with most major global pharmaceutical and specialty pharmaceutical companies with existing business or interest in gastrointestinal disease. Several of these discussions remain active and extensive due diligence on HMPL-004 has been conducted by multiple parties.

The FDA publication of guidelines for botanical drug products in 2004 laid out a new pathway for drug registration, the first new route since the broad scale emergence of modern biologics during the biotechnology revolution of the early 1980s. Given that this is a new and unfamiliar regulatory pathway for drug registration for existing pharmaceutical companies, it is understandable that they need time to fully understand it. These licensing discussions have proven invaluable to HMP in that we have been pushed to both recognise – and address – risk factors associated with this new drug registration pathway.

HMPL-004 De-risking: During 2010 and 2011 we invested significant financial and organisational resources in the de-risking of HMPL-004. This has included: 1) Establishing Good Agricultural Practice cultivation sites, including greenhouse capabilities, in two locations in China approximately 500 km apart – to both provide scale-up capability and reduce supply chain risk; 2) establishing and securing FDA acceptance, of bioassay and analytical methods for use in measuring HMPL-004 anti-inflammatory activity and quantitation of key marker compounds for

batch-to-batch quality control/quality assurance; 3) developing a 600mg and 400mg high strength tablet – qualified through human pharmacokinetics studies and accepted by the FDA for use in the Phase III trials to replace the original 200mg capsules – thereby reducing pill burden and improving patient compliance (e.g. 3x600mg tablets per day versus 9x200mg capsules per day for the 1,800mg daily dose); and 4) strengthened intellectual property ("IP") protection on HMPL-004 – successfully defended our IP under the intense scrutiny of multiple due diligence reviews – importantly, our key US patent has been reissued by the US Patent Office thereby making all claims Orange-Book listable.

HMPL-004 Special Protocol Assessment ("SPA"): Also important is establishing clarity on, and de-risking, the regulatory approvals pathway for botanical drugs. Through continuous interaction with regulatory agencies primarily in the US, but also in the EU and China, we have established a pathway to New Drug Application that has been defined with the FDA; a pathway to Marketing Authorisation Application discussed with several European country agencies and to be defined with the European Medicines Agency; and a pathway to China participation in global Phase III trials has been defined with the SFDA. In order to further reduce regulatory approval risk in the US, we have worked closely with the FDA on a draft SPA for HMPL-004 which – lays out the FDA's binding position on Phase III clinical trial design and trial outcome requirements and thereby dramatically reduces approvals risk. The FDA's extensive interaction with HMP on the development of the SPA in our view demonstrates the collaborative approach that the FDA is taking to working with industry on the new botanical drug development pathway in order to bring new therapies to market in the interests of the public health.

HMPL-004 Commercial Assessment Rationale: Our commercial assessment is that upon approvals of the combination therapy for ulcerative colitis, HMPL-004 could address the currently unmet market needs for the 5-ASA non-responsive patient segment with its potentially superior safety and efficacy profiles for long-term use. Furthermore, it has the potential to be developed, through additional pivotal trials as a global first-line therapy for ulcerative colitis and Crohn's disease.

HMPL-004 Next Steps: We expect to have formal agreement from the FDA on the HMPL-004 SPA during 2012 at which point we will move to pivotal ulcerative colitis Phase III trials. Furthermore, we will consider moving forward on a new Phase II proof-of-concept study at higher doses to validate efficacy in Crohn's disease.

Oncology Portfolio: HMP has a portfolio of five small molecule targeted cancer drugs either in or entering Phase I clinical trials. Our strategy over the past seven years has been to discover small molecule drugs which target both validated targets such as EGFR and VEGFR as well as more novel, clinically un-validated targets such as c-Met. Four of our oncology drugs have received Investigational New Drug ("IND") approval by the SFDA through the Green Channel expedited application process, highlighting their potential and relevance for the China market. The fifth drug, Volitinib, has been approved for a Phase I trials in Australia. HMP will continue to prioritise and pursue its most promising oncology programmes as more clinical data is accumulated.

VEGF/VEGFR Inhibitors: At an advanced stage, tumours secrete large amounts of Vascular Endothelial Growth Factor ("VEGF"), a protein, to stimulate formation of excessive vasculature (angiogenesis) around the tumour in order to provide greater blood flow, oxygen, and nutrients to the tumour. VEGFR inhibitors stop the growth of veins around the tumour and thereby starve the tumour of the nutrients it needs to grow rapidly.

Several first generation VEGF/VEGFR inhibitors have been approved globally in 2005 and 2006, including both small molecule receptor inhibitor drugs such as Nexavar™ (Bayer) and Sutent™ (Pfizer) with 2010 sales of approximately $1.0 billion and $1.1 billion respectively; and monoclonal antibodies such as Avastin™ (Roche) with 2010 sales of approximately $6.7 billion. The success of these drugs validated VEGFR inhibition as a new class of therapy for the treatment of cancer.

While VEGF/VEGFR inhibitors are available on the market in China, their costs currently prohibit broad scale usage. We believe HMP's VEGFR inhibitor drugs are attractive from two angles: 1) if proven in the clinic to be superior and/or differentiated from existing global VEGFR drugs, then our VEGFR inhibitors could have global market best-in-class potential; and 2) if clinical trials show parity, undifferentiated, performance versus existing global VEGFR drugs then we will have a competitive advantage in China as we will not be limited to charging global prices and will be able to undercut existing VEGFR drugs in China thereby offering them to a broader population. Our VEGFR inhibitors have demonstrated good safety, potency and selectivity in pre-clinical and early clinical testing.

Sulfatinib: Sulfatinib (HMPL-012) is a novel small molecule that selectively inhibits the tyrosine kinase activity associated with VEGFR and fibroblast growth factor receptors ("FGFR"). Pre-clinical data shows that Sulfatinib has demonstrated a narrow kinase inhibition profile, affecting mainly VEGFR and FGFR1, and consequently has an attractive anti-tumour profile. This compound is a potent suppressor of angiogenesis and exhibits higher potency as compared to approved VEGF drugs. It targets major cancer types such as hepatocellular carcinoma, colorectal cancer and breast cancer. The first-in-human Phase I clinical 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 Phase I clinical trial is nearing completion in China. Sulfatinib was well tolerated at doses up to 300mg per day and demonstrated preliminary anti-tumour activity. Pharmacodynamics marker analysis indicates the dual inhibition of VEGFR and FGFR. Pharmacokinetic data suggests good dose proportionality in exposure without marked drug accumulation. The final study results are anticipated to be available by mid-2012.

Fruquintinib: Fruquintinib (HMPL-013) is a novel small molecule compound that is highly selective in inhibiting certain VEGF receptors, namely VEGFR1, VEGFR2, and VEGFR3, and consequently has an attractive anti-tumour profile. Fruquintinib has shown highly potent inhibitory effects on multiple human tumour xenografts, including some refractory tumours such as pancreatic cancer and melanoma and anti-tumour and anti-angiogenic effect compares favourably to approved VEGF drugs.

The Phase I clinical trial is nearing completion in China. So far Fruquintinib has been well tolerated at doses up to a 4mg single dose per day to date and demonstrated excellent pharmacokinetic properties. Encouraging clinical activity has been observed. Further clinical studies are warranted and under planning. The final study results are anticipated to be available by mid-2012.

EGFR Inhibitors: EGFR is a protein that is a cell-surface receptor for Epidermal Growth Factor ("EGFs"). Activation of EGFR can lead to a series of downstream signalling activities that activate tumour cell proliferation, migration, invasion, and the suppression of cell death. Tumour cell division can occur uncontrollably when EGFR-activating mutations occur. Treatment strategies for certain cancers relate to inhibiting EGFRs with small molecule tyrosine kinase inhibitors. Once the tyrosine kinase is disabled, it cannot activate the EGFR pathway and cancer cell growth is suppressed, however, EGFR-mutations can become drug resistant through secondary mutation meaning that the field of EGFR inhibition is continuously evolving.

Since 2003, several EGFR inhibitors have been approved globally and in China and are used for the treatment of non-small cell lung cancer ("NSCLC"), particularly for patients with EGFR-activating mutations, who make up approximately 10-30% of NSCLC patients. The approved EGFR inhibitors include both small molecule drugs such as Tarceva™ (Roche) and Iressa™ (AstraZeneca) with 2010 sales of approximately $1.4 billion and $0.4 billion respectively and monoclonal antibodies such as Erbitux™ (indicated for head and neck cancer and

colorectal cancer) (Bristol-Myers Squibb, Merck KGaA and Eli Lilly) with 2010 sales of approximately $1.8 billion. The success of these drugs validated EGFR inhibition as a new class of cancer therapy.

EGFR inhibitors are available on the market in China, with Tarceva™, Iressa™, and Erbitux™ achieving solid commercial success. Furthermore, local Chinese companies are beginning to enter the EGFR inhibitor market with novel therapies and are likely, when patents expire in the coming few years on global EGFR drugs, to enter the market with generics. HMP's intent with our EGFR inhibitor programme is to prove that our drugs are differentiated versus the drugs currently on the market and thereby can provide benefit/new indications currently unavailable in both the China and potentially global markets.

HMP has two EGFR inhibitors Epitinib, which entered Phase I trials in late 2011, and Theliatinib, which has now been cleared by the SFDA in China to start Phase I trials. At the end of Phase I we will judge the functional differentiation of these two molecules both against each other and current marketed EGFR therapies and decide upon a strategy going forward.

Epitinib: Epitinib (HMPL-813) is a highly potent inhibitor of the EGFR 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. Importantly, in addition to NSCLC, EGFR-activating mutations are also found in 30-40% of glioblastoma patients, the most aggressive malignant primary brain tumour in humans. The currently available EGFR inhibitors lack satisfactory clinical efficacy against primary brain tumours or tumours metastasised to the brain from other organs such as the lung, largely attributable to insufficient drug penetration into the brain. Brain metastasis occurs in 8-10% of cancer patients and is a significant cause of cancer-related morbidity and mortality worldwide. Primary tumours of the lung are the most common cause of brain metastasis, as it has been estimated that 50% of patients with lung cancer will ultimately develop brain metastasis.

In pre-clinical studies, Epitinib demonstrated excellent brain penetration and good efficacy in orthotopic brain tumour models and reached drug concentrations in the brain tissue that are expected to result in robust efficacy when given orally at doses well below toxic levels. Epitinib was also found to have good pharmacokinetic properties and a favourable safety profile. If pre-clinical findings are confirmed in clinical studies, Epitinib could become a breakthrough therapy for patients with primary brain tumours or tumours metastasised to brain carrying EGFR-activating mutations.

The Phase I clinical trial started in China in late 2011. The final study results are anticipated to be available by early 2013.

Theliatinib: Theliatinib (HMPL-309) is a novel small molecule EGFR inhibitor. In preclinical testing, it was found to have potent anti-EGFR activity against the growth of not only the tumours with EGFR-activating mutations, but those without (the majority, also known as wild-type EGFR). Furthermore, it has demonstrated interesting activity against tumours with resistant EGFR mutations. Aberrant EGFR activity can be detected in many cancers through activating mutations, gene amplification, or over expression. Other than NSCLC tumours, most other tumour types have no EGFR-activating mutations. The current EGFR inhibitor products have limited response for these cancers and therefore are limited to only NSCLC patients with the EGFR-activating mutations. If the potent activity of Theliatinib against the tumours without EGFR-activating mutations found in xenograft models can be confirmed in clinical trials, it could provide an effective therapy for cancers not targeted by current EGFR products. Theliatinib was found to have good pharmacokinetic properties and safety profile in non-clinical studies. The IND application has been approved by the SFDA. The Phase I clinical trial will start in China in the first half of 2012. The final study results are anticipated to be available in the first half of 2013.

Volitinib: Volitinib (HMPL-504) is a novel targeted therapy and inhibitor of the c-Met receptor tyrosine kinase for the treatment of cancer. The c-Met (also known as HGFR) signalling pathway has specific roles particularly in normal mammalian growth and development; however this pathway has been shown to function abnormally in a range of different cancers.

Since c-Met inhibitors are a new family of targeted cancer treatments, none have yet reached approval stage in the US, Europe or Asia. One of the most clinically advanced selective small molecule c-Met inhibitors is Tivantinib (Arqule, Inc.), which announced further positive Phase IIb outcome in early 2012, demonstrating continued clinical proof of the link between c-Met inhibition and effective treatment of cancer.

Volitinib is a potent and highly selective c-Met inhibitor, which has been demonstrated to inhibit the growth of tumours in a series of pre-clinical disease models, especially for those tumours with aberrant c-Met signalling such as gene amplification or c-Met over expression. In addition, these biomarkers provide the potential to explore patient selection strategies in later stage clinical trials.

In December 2011, HMP entered into a global licensing, co-development, and commercialisation agreement for Volitinib with AstraZeneca. Under the terms of the agreement, development costs for Volitinib in China will be shared between HMP and AstraZeneca, with HMP continuing to lead the development in China. AstraZeneca will lead and pay for the development of Volitinib for the rest of the world. An initial cash payment of $20 million was paid by AstraZeneca to HMP upon signing of the agreement. In addition, HMP will receive up to $120 million contingent on the successful achievement of clinical development and first sale milestones. The agreement also contains possible significant future commercial sale milestones and up to double-digit percentage royalties on net sales.

Volitinib entered first-in-human Phase I clinical trial in Australia in February 2012. The final study results are anticipated to be available in the second half of 2013.

Discovery programmes

Our fully integrated discovery teams in oncology and immunology made considerable progress during 2011. We staff and resource our discovery team with the objective of producing one or two new internally discovered drug candidates per year. In 2011, the discovery team have progressed two highly novel small molecule drug candidates through to candidate selection stage, the penultimate stage in the pre-clinical process. We expect candidate selection to be completed during the first half of 2012 which will trigger execution of formal regulatory toxicity testing, which if successful will lead to IND submissions in late 2012 or early 2013. In addition to our internal discovery activities, our collaboration with J&J in inflammation is progressing as planned and we continue to look for ways to expand this very important strategic relationship.

HMP Financing Strategy:

HMP capitalises on the cost efficiencies associated with performing drug research and development in China, maintaining an approximately 180-person highly productive organisation that is progressing six clinical and multiple discovery phase programmes. HMP's average annual cash burn in the past three years, before any income to offset this, has been approximately $20 million. During late 2010, we raised $20.1 million in cash through third party venture capital investments in HMP. In 2011, driven primarily by difficulties in the biotech venture capital, private equity, and capital markets, we moved away from what we assessed would be an overly dilutive equity investment approach in HMP towards a non-dilutive fund raising approach through expanding research collaborations and drug-development partnerships. Looking ahead we will continue to adopt a pragmatic approach to financing HMP, preferring the latter approach until the progress of our clinical portfolio

justifies a material increase in the value of HMP and/or biotech market sentiment improves, at which point equity investment might once again become appealing.

Consumer Products Division

Our Consumer Products Division is an extension of our China operation which enables Chi-Med to capture part of the growing consumer trend towards healthy living and to capitalise on the considerable consumer products synergies with the broader HWL group. We aim to build a profitable scale business over the coming five years behind a portfolio of relevant and unique health-related consumer products.

The Consumer Products Division grew sales 26% in 2011 to $13.0 million (2010: $10.3m) primarily as a result of the continued geographical expansion of the HHO range of organic and natural food, personal care and infant nutrition products in Asia as well as expansion of the Sen range of personal and skin care products in France. Net loss attributable to Chi-Med equity holders widened to $2.8 million (2010: -$1.5m) behind investments in the China expansion of organic infant formula.

In 2011 we expanded several new consumer initiatives. As a result, we now better understand the consumer appeal of our various product propositions, the complexity in their execution, and consequently the market potential, investment requirements and returns of each initiative. Looking forward, we will focus our efforts on expanding what we believe to be our highest potential ideas, namely, the HHO organic business in Asia, our organic infant formula in China, and the Sen range of beauty care products in third party retail.

The Consumer Products Division has three operating entities; an organic and natural products business, HHO, which is a partnership with Hain Celestial; a wholly-owned proprietary botanical based beauty care business operated under the Sen® brand; and a wholly-owned consumer products distribution business, Hutchison Consumer Products Limited ("HCPL").

Through its operating entities, the Consumer Products Division distributes and markets 48 brands of primarily healthy living focused products in 27 food, beverage, baby, and beauty care categories. The top seven brands we market include Sen® and Avalon Organics® natural/organic beauty care; Earth's Best® organic baby food; Imagine® organic soups; Terra® natural snacks; Walnut Acres Organic® sauces; and Health Valley® organic cereals and snacks.

Chi-Med is uniquely able to leverage powerful synergy with HWL's retail subsidiaries to launch our brands – through PARKnSHOP, the leading Hong Kong supermarket chain with over 200 shops, and Watsons, a leading global retailer, predominantly in health and beauty specialist chain, with over 10,000 stores in 30 countries worldwide. In 2011, $7.8 million, or 61%, of the Consumer Products Division sales came through HWL chains representing a stable foundation from which we are now expanding. The Consumer Products Division now employs approximately 75 staff in both the commercial and product supply areas primarily in Hong Kong, China, and Europe.

China Consumer Products:

2011 sales in our China consumer products business grew 43% to $9.6 million (2010: $6.7m) due primarily to continued rapid growth in HHO where sales increased 26% to $8.5 million (2010: $6.7m) and our consumer products distribution business HCPL which recorded sales of $1.1 million (2010: nil). Net loss attributable to Chi-Med equity holders widened to $0.7 million (2010: net profit $0.6m) behind deeper investments in promoting our organic infant formula and building our Consumer Products Division organisation.

We generally 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 imported products in Hong Kong's English speaking community (approximately 240,000 people); Step-Two: Tailor products for Hong Kong's approximate 6.5 million Chinese speaking consumers (e.g. dual language packaging); Step-Three: Launch into adjacent Guangdong province with its approximately 100 million people and close cultural ties to Hong Kong; and Step-Four: Upon success, launch into the broader mainland China market and consider local production.

The China consumer products business, while using a common commercial network, is split into three distinct activities. Firstly, the distribution of the broad range of over 500 imported Hain Celestial organic and natural products, which having commenced in 2010, continued strong progress in 2011 with sales growing 24% to $6.5 million (2010: $5.2 million), driven by like-for-like retail sales growth of 21% in PARKnSHOP Hong Kong. While our focus is Hong Kong and China, we have also expanded distribution of our brands, mainly through third party local distributors, in nine countries in Asia (2010: 3).

The second activity, the expansion of HHO's ZLT/Earth's Best® organic infant formula which we launched directly into China in late 2010, recorded sales of $2.0 million in 2011 (2010: $1.5m) mainly from continued pipeline-fill as we step-by-step work to balance supply requirements with consumption. The infant formula category in China is highly competitive, but we believe that our product proposition, organic certified Swiss infant formula made with fresh unprocessed milk. We have not yet reached equilibrium on the project and will continue to work towards achieving balance on supply complexity, demand, working capital, and gross margin contribution. We will have to invest in this initiative over the next twelve to eighteen months to reach a sustainable business model.

The third activity of HCPL is to opportunistically sell non-organic health related consumer products through our distribution network and Four-Step Process, thereby helping to carry some administrative and overhead costs.

Proprietary Natural Beauty Care Products:
Sales of our Sen botanical-based health and beauty brand fell 5% to $3.4 million in 2011 (2010: $3.6m) as solid sales growth in France was offset by our continued move to shut more of our self-operated shops in London. The net loss attributable to Chi-Med equity holders remained flat at $2.1 million (2010: -$2.1m) due to costs associated with winding down our shops in London while at the same time investing in marketing in France to grow consumption of our products in third party distribution.

Sen made good progress in the retail channel in France with sales up 25% to $1.5 million (2010: $1.2m) – or up 150% excluding a one-time promotion item sale of $0.6 million in 2010. Net loss attributable to Chi-Med equity holders remained at $0.6 million (2010: -$0.6m) as higher gross profits were used to fund investment in targeted print media. Our Sen products are distributed nationally in approximately 340 Perfumeries Marionnaud shops. In 2012, we will continue to drive this sales model in France, as well as in other markets, and take further advantage of synergy with health and beauty outlets of HWL.

In the UK, we continue to close loss making Sen shops in London and expect over the next two years to cut net losses attributable to Chi-Med equity holders dramatically from their 2011 level of $1.4 million (2010: -$1.5m).

Current Trading and Outlook for the Group

We believe that 2012 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 well ahead of 2011 levels as a result of

strong commercial execution and a continued normalisation of certain raw material prices. We also expect to create considerable value through our plans to relocate and expand our China manufacturing during the year.

In the Drug R&D Division, we will continue to progress our broad pipeline of drugs in the clinic, thereby further proving their efficacy and safety and potentially leading to a rapid increase in their market value. We are also ready to start the global Phase III trial on HMPL-004.

The Consumer Products Division has started the year well with sales well ahead of 2011 levels since our products are becoming better known and more widely used by the day. 2012 will be a year of focusing on, and investing in, our key consumer products initiatives in China.

We look to 2012 with the expectation of making continued strides forward on all Chi-Med's businesses.

Christian Hogg
Chief Executive Officer, 19 March 2012

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$'000	2010 US$'000
Revenue	2	166,924	134,509
Cost of sales		(74,158)	(54,641)
Gross profit		92,766	79,868
Selling expenses		(56,501)	(52,705)
Administrative expenses		(32,126)	(31,055)
Other net operating income		1,249	1,685
Operating profit/(loss)		5,388	(2,207)
Finance costs		(561)	(403)
Profit/(loss) before taxation		4,827	(2,610)
Taxation charge		(3,142)	(2,584)
Profit/(loss) for the year		1,685	(5,194)
Attributable to:			
Equity holders of the Company		710	(6,865)
Non-controlling interests		975	1,671
		1,685	(5,194)
Earnings/(losses) per share for profit/(loss) attributable to equity holders of the Company for the year (US$ per share)			
- basic	3(a)	0.0137	(0.1332)
- diluted	3(b)	0.0135	(0.1332)

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 US$'000	2010 US$'000
Profit/(loss) for the year	1,685	(5,194)
Other comprehensive income:		
Exchange translation differences	3,844	503
Total comprehensive income/(loss) for the year (net of tax)	5,529	(4,691)
Attributable to:		
Equity holders of the Company	4,121	(6,422)
Non-controlling interests	1,408	1,731
	5,529	(4,691)

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	2011 US$'000	2010 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	23,277	23,918
Leasehold land	6,175	6,015
Goodwill	8,248	7,709
Other intangible assets	14,858	10,312
Amount due from a related party	-	3,010
Investment in an associated company	31	-
Deferred tax assets	1,550	1,205
	54,139	52,169
Current assets		
Inventories	28,720	26,630
Trade and bills receivables	51,573	30,738
Other receivables and prepayments	5,063	5,077
Amount due from a related party	1,516	-
Cash and bank balances	53,763	45,310
	140,635	107,755
Total assets	194,774	159,924
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	51,743	51,743
Reserves	13,042	7,809
	64,785	59,552
Non-controlling interests	12,545	9,254
Total equity	77,330	68,806
LIABILITIES		
Current liabilities		
Trade payables	16,451	10,557
Other payables, accruals and advance receipts	35,568	27,733
Amounts due to related parties	5,345	3,614
Bank borrowings	30,038	24,500
Current tax liabilities	1,074	1,241
	88,476	67,645
Non-current liabilities		
Deferred income	6,919	1,935
Deferred tax liabilities	1,911	1,400
Convertible preference shares	20,138	20,138
Total liabilities	117,444	91,118
Total equity and liabilities	194,774	159,924

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	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 interests 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 CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

	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 2011	51,743	92,955	3,854	5,239	488	(94,727)	59,552	9,254	68,806
Profit for the year	-	-	-	-	-	710	710	975	1,685
Other comprehensive income:									
Exchange translation differences	-	-	-	3,411	-	-	3,411	433	3,844
Total comprehensive income for the year (net of tax)	-	-	-	3,411	-	710	4,121	1,408	5,529
Share-based compensation expenses	-	-	1,112	-	-	-	1,112	-	1,112
Transfer between reserves	-	-	(218)	-	8	210	-	-	-
Loan from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	2,000	2,000
Capital contribution from a non-controlling shareholder of a subsidiary of a jointly controlled entity	-	-	-	-	-	-	-	1,024	1,024
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(1,141)	(1,141)
As at 31 December 2011	51,743	92,955	4,748	8,650	496	(93,807)	64,785	12,545	77,330

HUTCHISON CHINA MEDITECH LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	4(a)	9,059	(17,327)
Interest received		135	226
Finance costs paid		(561)	(403)
Income tax paid		(3,297)	(2,085)
Net cash generated from/(used in) operating activities		5,336	(19,589)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,754)	(3,281)
Purchase of trademarks and patents		(2)	-
Payments for development costs		(3,548)	(5,425)
Acquisition of additional interest in a subsidiary	4(d)	-	(2,656)
Acquisition of additional interest in a jointly controlled entity	4(b)	(48)	-
Acquisition of an associated company by a jointly controlled entity		(31)	-
Net cash acquired from the acquisition of a subsidiary by a jointly controlled entity	4(c)	465	-
Proceeds from disposal of available-for-sale financial asset	4(e)	-	146
Proceeds from disposal of property, plant and equipment		2	10
Net cash used in investing activities		(5,916)	(11,206)
Cash flows from financing activities			
Decrease/(increase) in amount due from a non-controlling shareholder of a subsidiary		1,494	(3,010)
(Decrease)/increase in amount due to a non-controlling shareholder of a subsidiary		(13)	13
Dividend paid to a non-controlling shareholder of a subsidiary		(1,141)	-
Loan from a non-controlling shareholder of a subsidiary		2,000	1,800
Repayment of a loan to a non-controlling shareholder of a subsidiary		-	(2,010)
New bank loans		6,484	24,500
Repayment of bank loans		(946)	(8,258)
Issue of shares, net of share issuance costs		-	779
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 financing activities		7,878	33,957
Net increase in cash and cash equivalents		7,298	3,162
Cash and cash equivalents at 1 January		45,310	41,752
Exchange differences		1,155	396
Cash and cash equivalents at 31 December		53,763	45,310
Analysis of cash and cash equivalents			
- Cash and bank balances		53,763	45,310

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:

	2011 US$'000	2010 US$'000
Sales of goods	150,687	128,702
Income from research and development projects (note)	14,788	4,129
Other service income	1,449	1,678
	166,924	134,509

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.

Note:

Income from research and development projects include upfront income of US$10.8 million (2010: nil) from a global licensing, co-development and commercialisation agreement and income from the provision of research and development services of US$4.0 million (2010: US$4.1 million).

NOTES (CONTINUED) :

3 Earnings/(losses) per share

(a) Basic earnings/(losses) per share

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

	2011	2010
Profit/(loss) for the year attributable to equity holders of the Company (US$'000)	710	(6,865)
Weighted average number of outstanding ordinary shares in issue	51,743,153	51,527,892
Earnings/(losses) per share attributable to equity holders of the Company (US$)	0.0137	(0.1332)

(b) Diluted earnings/(losses) per share

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

	2011	2010
Profit/(loss)for the year attributable to equity holders of the Company (US$'000)	710	(6,865)
Weighted average number of outstanding ordinary shares in issue	51,743,153	51,527,892
Adjustment for share options (note)	910,571	-
	52,653,724	51,527,892
Diluted earnings/(losses) per share attributable to equity holders of the Company (US$)	0.0135	(0.1332)

Note:

The outstanding employee share options at 31 December 2010 had no dilutive effect on the basic losses per share.

NOTES (CONTINUED) :

4 Notes to the consolidated statement of cash flows

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

	2011 US$'000	2010 US$'000
Profit/(loss) for the year	1,685	(5,194)
Adjustments for:		
Taxation charge	3,142	2,584
Share-based compensation expenses	943	279
Amortisation of trademarks and patents	91	164
Amortisation of leasehold land	145	138
Write-off of inventories	31	55
Provision for inventories	120	120
Provision for receivables	19	18
Depreciation on property, plant and equipment	4,327	4,278
Loss on disposal of property, plant and equipment	248	333
Interest income	(135)	(226)
Finance costs	561	403
Exchange differences	506	(929)
Operating profit before working capital changes	11,683	2,023
Changes in working capital:		
- increase in inventories	(2,241)	(9,329)
- increase in trade and bills receivables	(20,854)	(10,701)
- decrease/(increase) in other receivables and prepayments	14	(500)
- increase in trade payables	5,894	2,391
- increase /(decrease) in other payables, accruals and advance receipts	7,835	(2,982)
- increase in deferred income	4,984	319
- increase in amount due to immediate holding company	1,744	1,452
Net cash generated from/(used in) operations	9,059	(17,327)

(b) During the year, Hutchison MediPharma Limited, a subsidiary of the Group acquired a 50% interest in the enlarged capital of Qing Yuan Baiyunshan Hutchison Whampoa ChuanXinLian R&D Limited ("CXL") by injection of RMB2 million (equivalent to US$308,000) to CXL as additional capital. CXL was formerly a wholly-owned subsidiary of Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("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%.

(c) During the year, HBYS, a jointly controlled entity of the Group acquired a 60% interest in Nanyang Baiyunshan Hutchison Whampoa Guanbao Pharmaceutical Company Limited by injection of RMB21 million (equivalent to approximately US$3.2 million) as additional capital and capital reserve.

(d) Hutchison BYS (Guangzhou) Holding Limited ("HGHL") was a 75% owned subsidiary of the Group, holding an indirect 50% interest in HBYS, a jointly controlled entity of the Group. In 2010, the Group entered into agreements to give effect the acquisition of an additional 5% interest in HGHL for a net cash consideration of approximately US$2.7 million. HGHL has become an 80% owned subsidiary of the Group after the transactions.

(e) Available-for-sale financial asset represented a 5% interest in an unlisted company established in the PRC and was acquired by a jointly controlled entity of the Group. The available-for-sale financial asset was disposed of during 2010.