HUTCHISON CHINA MEDITECH LIMITED

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

Interim Results for the Six Months Ended 30 June 2014

China Healthcare Division profit up 20%. Drug R&D Division progressing 10 clinical trials. Strong outlook.

London: Tuesday, 29 July 2014: Chi-Med, the China-based healthcare and consumer products group, today announces its unaudited financial results for the six months ended 30 June 2014.

Chi-Med Group results are reported under International Financial Reporting Standard, IFRS 11 "Joint Arrangements" ("IFRS11"), which requires the equity accounting principle for the reporting of joint ventures ("JVs") which means that the income statements and statements of financial position of JVs are not proportionately consolidated as they have been in the past. However, total revenues of the JVs will continue to be disclosed on a voluntary basis under the divisional summaries below.

Results are reported in US dollar currency unless otherwise stated.

Group Results

- Revenue, under IFRS11, on continuing operations up 73% to $30.3 million (H1 2013: $17.6m).
- Net profit attributable to Chi-Med equity holders up 97% to $6.4 million (H1 2013: $3.3m).
- Stable cash position: cash and cash equivalents at the Chi-Med Group level of $59.4 million (31 December 2013: $46.9m); in addition, and not included at Chi-Med Group level, cash and cash equivalents held at the JV level of $91.6 million (31 December 2013: $99.0m).

China Healthcare Division

- Total sales of subsidiaries and JVs up 15% to $261.7 million (H1 2013: $227.5m).
- Net profit attributable to Chi-Med equity holders up 20% to $17.3 million (H1 2013: $14.4m).
- Commercial restructure complete – Good Supply Practice ("GSP") distribution companies now in place to enable the 2,700-person commercial team to sell third party/related party products.
- China low-price drug policy and key raw material price declines providing profitability tailwind.

Drug R&D Division

- Revenue of $9.9 million (H1 2013: $10.5m) from an AZD6094 (HMPL-504/volitinib) development milestone and service income from Nutrition Science Partners Limited ("NSP") and Janssen Pharmaceuticals Inc. (part of the Johnson & Johnson group of companies) ("Janssen").
- Net loss attributable to Chi-Med equity holders up 31% to $6.3 million (H1 2013: -$4.8m) due to continuing NSP investment in HMPL-004 global Phase III registration trials.
- 10 clinical trials progressing rapidly and building value. 2 Phase III registration studies on HMPL-004 in ulcerative colitis (NATRUL-3 and NATRUL-4); 3 Phase II proof-of-concept studies (AZD6094 in papillary renal cell carcinoma and fruquintinib in third-line colorectal and non-small cell lung cancer); 3 Phase Ib expansion studies (AZD6094 non-small cell lung cancer, sulfatinib in neuroendocrine tumours, and epitinib in non-small cell lung cancer with brain metastasis); and 2 Phase I studies (HMPL-523/Syk inhibitor for inflammation and theliatinib in solid tumours).
- Spending of $19.8 million (H1 2013: $15.2m) on clinical trials balanced by aggregate $20.1 million (H1 2013: $38.1m) cash and equity injections and contractual obligations from partners received by Drug R&D Division subsidiaries and JVs.

Consumer Products Division

- Sales from continuing operations up 16% to $6.4 million (H1 2013: $5.5m) from expansion of the broad organic and natural product line of Hutchison Hain Organic Holdings Limited ("Hutchison Hain Organic").
- Breakeven net profit on continuing operations attributable to Chi-Med equity holders of $0.0 million (H1 2013: -$0.4m).

Christian Hogg, CEO of Chi-Med, said:

"Chi-Med has significantly increased its net profit at a time when it is managing 10 clinical trial programmes and maintaining a deep and active discovery research programme, which together is adding substantial shareholder value. This is an achievement which is testimony to the balance of our businesses, our common sense approach to financing and our strategy of collaboration with powerful industry partners to help accelerate and enhance our own programmes.

We expect to continue adding significant shareholder value in the second half and beyond."

Ends

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

About Chi-Med

Chi-Med is a China-based healthcare group focused on researching, developing, manufacturing and selling pharmaceuticals and health-related consumer products. Its China Healthcare Division manufactures, markets and distributes prescription and over-the-counter pharmaceuticals in China. Its Drug R&D Division focuses on discovering and developing innovative therapeutics in oncology and autoimmune diseases. Its emerging Consumer Products Division focuses on organic and natural consumer products in Asia.

Chi-Med is majority owned by the multinational conglomerate Hutchison Whampoa Limited (SEHK:13). For more information, please visit: www.chi-med.com.

CHAIRMAN'S STATEMENT

Chi-Med has continued to execute its strategy and create material value for its customers, trading partners and shareholders. Once again we have managed to balance major investments in high-value creation research and development with tight control of the Group's profit and cash position. For a company of our type to progress 10 clinical programmes in parallel, and maintain a deep and active discovery research operation, without incurring major losses is both rare and a continuing challenge.

Our achievements to-date give us great confidence that our strategic direction is sound and that with continued focus Chi-Med will emerge as a great China success story.

Strategic Development
We maintain our goal of creating a major, and highly profitable, pharmaceutical company based in China and providing innovations and products to the China and the global markets. We continue focusing our execution against four key strategic priorities:

Sustained and un-interrupted investment in drug innovation. We believe our drug research team at Hutchison MediPharma Limited ("HMP") is one of the most advanced in China and our new drug pipeline is as unique as it is broad. The HMP team was neither assembled quickly, nor did it produce its global best-in-class and first-in-class innovations overnight. In our view, however, it is a team of the best and brightest drug research and development people in China who have been given a stable and supportive environment to create their innovations over a prolonged period of time. The HMP team has delivered many firsts over the past ten years including, but not limited to: 1) the first oral, systemic, botanical drug to reach Phase III global registration studies under the 2004 FDA guidelines for botanical drug products with HMPL-004; 2) the first Chinese company to achieve green channel fast track Investigative New Drug approval in China with sulfatinib (followed by fruquintinib, epitinib, theliatinib and AZD6094); 3) the first Chinese company to license a small molecule targeted cancer therapy to a global multinational with AstraZeneca AB (publ) ("AstraZeneca") for AZD6094 (followed by Eli Lilly and Company ("Lilly") for fruquintinib); and 4) the first Chinese company to partner with a global multinational in the botanical drug arena with Nestlé Health Science S.A. ("Nestlé Health Science") for HMPL-004.

Establishment of deep commercial know-how and executional infrastructure in China. Building a powerful commercial operation in China has been a strategic focus for Chi-Med over the past 14 years. We now have a very broad reaching commercial operation in China, controlled and managed by Chi-Med, covering over 600 cities and towns, detailing drugs to over 80,000 physicians in over 13,000 hospitals, and employing about 2,700 full-time commercial staff. The commercial team has been built around our China Healthcare Division which recorded sales in its subsidiaries and JVs of $261.7 million in the first half of 2014, a 21% compound annual growth rate since 2006. This commercial team has now been fully restructured to enable it to potentially help commercialise our innovative drug products as we achieve approvals.

Strategic collaboration with global partners to help accelerate and improve our own programmes. Our early decision to collaborate with powerful industry partners in our selected areas of strategic focus has paid substantial dividends. We select partners carefully based on mutual vision and cultural fit. Our three China Healthcare Division partners Shanghai Pharmaceuticals Holding Co., Ltd. ("Shanghai Pharmaceuticals"), Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. ("Guangzhou Pharmaceutical") and Sinopharm Group Co. Ltd. are among the largest pharmaceutical companies in China and these partnerships have given us industry recognition and a portfolio of brands and products upon which our commercial and manufacturing network are built. In our Drug R&D Division, AstraZeneca, Janssen, Lilly and Nestlé Health Science have brought not just great financial resource to our collaborations, but also invaluable technical expertise and organisational resources. In our Consumer Products Division, the partnership with The Hain Celestial Group, Inc. ("Hain Celestial") has brought us a massive range of relevant and unique consumer products.

A balanced approach to financing. We set out to build a profitable and cash generative China Healthcare Division that could help fund our long-term investments in HMP's innovation and, in this, we have succeeded. We have also shared risks on some of our clinical drug candidates and since 2010 have received $125.5 million in external cash from our global partners. And, from time to time, we have accessed low-cost borrowing, sometimes with guarantees from Hutchison Whampoa Limited ("HWL"), to bridge between clinical milestones and external collaboration payments. We will continue to adopt this balanced approach to financing until material milestone, royalty, or operating profit streams emerge from our approved HMP drugs, or if necessary, look at alternative forms of longer term funding at the appropriate time.

Business Review

China Healthcare Division: This Division continues to expand rapidly and improve its profitability as it has consistently over the past ten years. Our view is that the underlying growth in the China pharmaceutical market will remain above 15% per annum driven by the Chinese government's policy of improving state-sponsored healthcare across the Chinese population, through broadening and deepening of investment, insurance and drug reimbursement.

The China Healthcare Division grew net profit attributable to Chi-Med equity holders by 20% to $17.3 million. The main driver was the continued outstanding profit performance of the Shanghai Hutchison Pharmaceuticals Limited ("SHPL") business, with lesser contributions coming from operating efficiencies on the businesses of Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") and Hutchison Healthcare Limited ("HHL"). Looking across the balance of 2014 and into 2015, we expect HBYS to step up its profit contribution as key raw material price reductions feed through to cost of goods and the new Low Price Drug List ("LPDL") policy in China allows for gradual ex-factory price increases as well as the systematic return of HBYS' key products to the hospital channel.

We have made good progress on our plans to relocate, upgrade and expand our two main China Healthcare Division manufacturing sites in Shanghai and Guangzhou. The investments are considerable, amounting to approximately $160 million in aggregate. However, the new factories will support an approximately three-fold increase in sales of our own-brand products from $339 million in 2013 to the $1.0 billion level. Furthermore, we expect that the costs of these moves will be more than offset by the compensation that our SHPL and HBYS JVs should receive from vacating their existing sites.

Drug R&D Division: The first half of 2014 saw major progress on our pipeline with multiple new clinical studies commencing and the publication of exciting clinical data on three of our targeted cancer therapies.

The most exciting clinical results were on AZD6094, fruquintinib and sulfatinib. At this year's American Society of Clinical Oncology ("ASCO") meetings we published data on all three programmes. First, our Phase I study on AZD6094 in Australia that showed a 50% Objective Response Rate ("ORR") among untreatable papillary renal cell carcinoma ("PRCC") patients; the best ever reported ORR among this patient population by a competitor was just 13.5%. Secondly, we published Phase Ib data on fruquintinib in third line colorectal cancer which across the board, in both safety and efficacy, out-scores competitive therapies in this indication. Finally, we published Phase I data for sulfatinib that shows 33% ORR among neuroendocrine tumour ("NET") patients as compared to the existing treatments which all register ORRs of <10%.

Systematically, HMP has progressed ten clinical studies during the period. Two Phase III registration studies on HMPL-004 in ulcerative colitis (NATRUL-3 and NATRUL-4) and we are on track for an interim analysis of NATRUL-3 in mid-August; three Phase II proof-of-concept studies began during the period -- AZD6094 in PRCC in the United States and Europe, fruquintinib in third-line colorectal and non-small cell lung cancer in China; three Phase Ib expansion studies progressed -- AZD6094 in epidermal growth factor receptor activating mutation ("EGFRm+") tyrosine kinase inhibitor ("TKI") resistant c-Met amplified ("c-Met+") non-small cell lung cancer in the United States, sulfatinib in NET patients in China, and epitinib in EGFRm+ non-small cell lung cancer with brain metastasis in China; as well as two Phase I studies – most excitingly, HMPL-523 a Syk inhibitor for inflammation in Australia, and theliatinib in solid tumours with wild-type EGFR in China.

Consumer Products Division: We are now focused almost entirely on the development of the Hutchison Hain Organic business, our high potential health-related consumer products business which is growing quickly and is now profitable.

Financial Review

IFRS Accounting Rule – IFRS11: This new standard for accounting for JVs came into effect in 2013 which means that the income statements and statements of financial position of JVs are no longer consolidated on a proportional basis. For Chi-Med, the change resulted in the 50/50 SHPL and HBYS JVs within our China Healthcare Division being treated as equity investments in Chi-Med's consolidated accounts. This change has neither affected the way we operate, the synergies the Group gains from these operations, nor net profit attributable to Chi-Med equity holders, but it does affect the way we prepare Chi-Med's accounts.

Under IFRS11, Chi-Med Group revenues on continuing operations for the six months ended 30 June 2014 were up 73% to $30.3 million (H1 2013: $17.6m), driven by continued collaboration and milestone income

from our partnerships with AstraZeneca, Nestlé Health Science and Janssen in the Drug R&D Division, the establishment and start of operations of the Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited ("Hutchison Sinopharm") JV, as well as solid like-for-like sales growth in Hutchison Hain Organic.

Our China Healthcare Division, which continues to be Chi-Med's primary profit and cash source, grew its operating profit by 19% to $19.1 million (H1 2013: $16.1m) and the Drug R&D Division kept operating losses under control at $7.2 million (H1 2013: -$5.0m) despite HMP's -$5.7 million (H1 2013: -$4.2m) share of the operating results of the NSP JV – which were primarily HMPL-004 Phase III trial expenses. The Consumer Products Division also made progress with profit on continuing operations of $0.1 million (H1 2013: -$0.5m), due to Hutchison Hain Organic's improved performance.

Net corporate unallocated expenses, primarily Chi-Med Group overheads and running costs increased 24% to $4.0 million (H1 2013: -$3.3m) mainly as a result of a $0.7 million exchange loss as the Chinese RMB temporarily weakened against the US dollar. We have historically held, and intend to continue to hold, China earnings and dividends in RMB as we expect the currency to continue to strengthen in the medium-term. In aggregate we have reported $1.2 million in exchange gains over the 2010-2013 period.

Consequently, Chi-Med Group operating profit on continuing operations increased 9% to $8.1 million (H1 2013: $7.4m). Total interest, tax, and payments to non-controlling interests on continuing operations during the period were $2.5 million (H1 2013: $2.7m).

Overall, net profit on continuing operations attributable to Chi-Med equity holders grew 19% to $5.6 million (H1 2013: $4.7m).

Other income of $2.1 million was booked largely as a result of an arbitration award in our Consumer Products Division relating to a contract dispute with a supplier of infant formula. This income led to a total net profit attributable to Chi-Med equity holders on discontinued operations of $0.9 million (H1 2013: -$1.4m).

The resulting net profit attributable to Chi-Med equity holders therefore grew 97% to $6.4 million (H1 2013: $3.3m), a profit of 12.4 US cents per share versus 6.3 US cents per share a year ago.

Cash and Financing

We maintain a stable balance sheet and financing structure both at the Chi-Med Group and JV levels. In general, we use the steady flow of dividends from our China Healthcare Division combined with cash injections from our four main Drug R&D Division partners to fund the progress of our research and development programmes. We also utilise bank borrowing to bridge between partner cash injections.

Chi-Med Group level net cash inflow was $12.5 million, compared to a $13.0 million inflow in the first half of 2013. Cash inflow during the period was due to inflow of $12.7 million in dividends from our JVs and $3.9 million from the net draw-down on our group banking facilities, being partially offset by outflow to fund group operating expenses.

At the Chi-Med Group level, cash and cash equivalents as at 30 June 2014 totalled $59.4 million (31 December 2013: $46.9m), outstanding bank loans amounted to $58.4 million (31 December 2013: $51.5m) and un-utilised bank loan facilities totalled $3.3 million (31 December 2013: $10.3m). Of the outstanding Chi-Med Group level bank loans $26.9 million is guaranteed by HWL. Our total Chi-Med Group weighted average cost of borrowing on both unsecured and HWL guaranteed loans, including all interest and guarantee fees, is 2.6% -- which in our view represents a flexible, cost-efficient and non-dilutive financing strategy for a company at our stage of rapid growth and development.

At the JV level, under IFRS11 accounting standards, our three JVs (SHPL, HBYS and NSP), which are all 50/50 joint ventures, are accounted for on an equity accounting basis. The substantial JV cash balances are therefore not separately reflected at the Chi-Med Group level. Overall, cash and cash equivalents at the JV level as at 30 June 2014 totalled $91.6 million (31 December 2013: $99.0m), with outstanding bank loans of $14.6 million (31 December 2013: $1.5m). As previously reported, all three JVs are independently progressing major investment programmes, with SHPL and HBYS relocating and expanding their factories and NSP progressing global Phase III registration trials on HMPL-004. These three major investment programmes are not expected to require material/long-term cash injections from the Chi-Med Group – they are all to a large degree self-funding at the JV-level.

Outlook

The prospects for each of our businesses remain promising. Our China Healthcare Division will continue to benefit from the major tailwinds of declining raw material prices, the adoption of the LPDL policy, and synergies that will come from our new commercial structure. In the Drug R&D Division, we believe progress of our pipeline will lead systematically to step-change value creation. And, in our Consumer Products Division, we will continue to move forward profitably.

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, 28 July 2014

OPERATIONS REVIEW

China Healthcare Division

The China Healthcare Division has four main operating companies: HBYS and SHPL, which are both JVs, Hutchison Sinopharm a new 51% owned subsidiary, and HHL a wholly-owned subsidiary of Chi-Med. These companies manufacture and market over-the-counter ("OTC") drugs, prescription drugs and health supplements in China and continue to deliver sizable sales and profit growth.

In the first half of 2014, sales of the China Healthcare Division subsidiaries and JVs grew by 15% to $261.7 million. Consolidated net profit attributable to Chi-Med equity holders increased 20% to $17.3 million reflecting primarily the financial benefits of SHPL's continuing increased scale.

HBYS: HBYS, our OTC business, had a solid first half with JV sales increasing by 7% to $156.6 million building off a particularly strong H1 2013 in which we recorded sales of $146.6 million (up 22% versus H1 2012).

Driving the increase this year was an almost doubling, to $54.0 million (H1 2013: $27.2m), in HBYS sales of secondary products, such as Kou Yan Qing granule (periodontitis) and Nao Xin Qing tablet (cerebrovascular), as well as activities, such as new product sales and centralised raw material purchasing for HBYS and our partner Guangzhou Pharmaceutical, under our new HBYS subsidiary, Hutchison Whampoa Guangzhou Baiyunshan Health & Wellness Co. Ltd. This rapid growth was partly offset by: (1) Banlangen granule (antiviral) sales were down 26% to $34.6 million, against all-time record sales of $46.6 million in H1 2013 which were driven by widespread publicity and consumer anxiety around the avian influenza (H7N9) virus outbreak early last year in China – this imbalance we believe will smooth-out over the full year; (2) Fu Fan Dan Shen ("FFDS") tablet (angina) sales dropped 8% to $42.5 million (H1 2013: $46.1m) as ex-factory price increases in mid-2013 had led to some limited customer stocking-up in early-2013; and (3) we have continued the strategy started in H2 2013 of shedding some lower margin or loss-making legacy OTC drug GSP distribution activities leading to a 5% drop in sales to $25.5 million (H1 2013: $26.7m).

Two factors have developed over the past six months to become important potential profit drivers for HBYS. First, as expected, the raw material price for Sanqi, the key ingredient in FFDS, has continued to collapse in China due to oversupply with the price as low as RMB 270/kg in July 2014 versus the peak of about RMB 800/kg last year. While HBYS' average price paid for Sanqi during 2013 was approximately RMB 476/kg (due to hedging, stockpiling, and vertical integration efforts), for every RMB 100/kg drop in average price paid for Sanqi, HBYS gross margin improves by approximately $8.1 million.

Secondly, in April 2014 the China National Development and Reform Committee announced a new LPDL containing 283 chemical drugs and 250 traditional Chinese medicine ("TCM") drugs. The LPDL policy is aimed at making low-price drugs more profitable for manufacturers to produce and thereby motivate the healthcare system to shift focus away from the high-priced drugs that are burdening the ever-expanding reimbursement system. The LPDL establishes criteria/caps for the daily cost at <RMB 3/day for LPDL chemical drugs and <RMB 5/day for LPDL TCM drugs. The two main benefits are that manufacturers have

flexibility to increase prices within the caps and LPDL drugs are exempt from hospital tenders. HBYS' two main drugs, Banlangen granules and FFDS tablets, cost RMB 1.4/day and RMB 1.2/day respectively so the LDPL will now allow for material price increases as well as a systematic return to the hospital sales channel for these products.

SHPL: Our prescription drug business continues to perform well, with the first half JV sales up 15% to $91.0 million (H1 2013: $79.3m). Our proprietary prescription cardiovascular drug She Xiang Bao Xin pill ("SXBXP") continues to gain ground through geographic and sales channel expansion and is winning market share from our key competitors as a result of our superior marketing execution in mature markets. SHPL's main products, SXBXP and Danning tablets, are also set to benefit from the LPDL policy given that their current costs are RMB 2.7/day and RMB 3.3/day respectively.

The SHPL commercial team has approximately 1,600 medical sales representatives in China which enables the promotion of SXBXP not just in hospitals in provincial capitals and medium-sized cities, but also in the majority of county-level hospitals in China. In May 2014 we announced the expansion of our commercial cooperation with Shanghai Traditional Chinese Medicine Co. Ltd. a subsidiary of Shanghai Pharmaceuticals. This expansion has involved the establishment of a new wholly-owned SHPL GSP distribution company into which we intend to transfer our 1,600 medical sales representatives. The new SHPL GSP structure will allow our sales team to sell and detail third party drugs starting with six drugs, the majority of which are proprietary prescription drugs, for which Shanghai Pharmaceuticals has assigned exclusive China commercial rights to SHPL for 10 years. We also intend to leverage the new SHPL GSP structure to provide marketing services to our other Chi-Med Group companies such as HMP, Hutchison Sinopharm, as well as third parties.

Hutchison Sinopharm: In April 2014, we announced the completion of the Hutchison Sinopharm JV and its start of operations. The sales during the first half of 2014 were $12.8 million (H1 2013: nil). Its current business is to provide logistics and distribution services, primarily in Shanghai municipality, to third party pharmaceutical companies. These services are generally low-margin activities with net profit in the low single-digit percentages. Looking forward, Hutchison Sinopharm's strategic focus is to shift margins higher through leveraging the broader commercial infrastructure of Chi-Med in China. We expect Hutchison Sinopharm will secure commercial rights to several new products over the coming year and in so doing create value and synergy for Chi-Med.

HHL: The sales in our HHL infant nutrition business declined 28% to $1.1 million (H1 2013: $1.6m), however, net profit attributable to Chi-Med equity holders grew 385% to $0.2 million (H1 2013: $0.0m) due to tight controls on working capital and spending. The Zhi Ling Tong brand remains popular with the Chinese consumer and within its obstetrics and gynaecology hospital, mother/baby, and drug store commercial channels.

Expanding Production: In our China Healthcare Division, the SHPL and HBYS factory relocations, upgrades and capacity expansions are in full swing. These major projects, which will essentially triple their production capacity to support a business with sales of our own brand manufactured prescription and OTC drug products of up to $1.0 billion, are expected to cost SHPL approximately $90 million and HBYS approximately $70 million. In order to manage these complex factory moves without business interruption, both SHPL and HBYS have now successfully upgraded their old factories and received new five-year China Good Manufacturing Practice ("GMP") certification, in early 2014 and in late 2013 respectively.

SHPL's new factory project is the most advanced with almost all buildings complete and ready for refurbishment and equipment installation. Up to 30 June 2014, SHPL had invested $29.0 million in both the land use rights purchase and construction, with $14.0 million utilised during the period coming primarily from bank borrowing -- the interest on which is being paid by local Feng Pu district government which has granted SHPL interest-offset subsidies up to a cumulative maximum of $4.0 million. The balance of investment required to complete the new factory will be funded by SHPL operating cash flow and further bank borrowing over the coming 18 months. We remain in negotiation with the local government in Pu Tuo district regarding compensation for the surrender of the land-use rights on our old SHPL site which has a life of a further 37 years until 2052. It should be noted that an approximately 4.6 square kilometre residential and commercial redevelopment zone has now been established in Pu Tuo district, with the old SHPL site located in a planned residential area in the redevelopment zone's centre, only about 300 metres from the nearest Shanghai metro station.

The HBYS factory move and expansion are taking place in several phases in two locations: Bozhou, Anhui province for extraction; and Zhong Luo Tan, Guangdong province for formulation. The $5.0 million investment during the period revolved primarily around land-use rights purchases and initiation of

construction on the Bozhou extraction facility. As at 30 June 2014, HBYS held a local book cash balance of $57.9 million and bank loans of only $0.6 million. Combined with its operating cash flow, it is therefore in a strong position to self-fund the entire project over the next two to three years without the need for bank borrowing. As reported previously, estimated HBYS compensation, based on precedent land auctions in the immediate vicinity, for surrender of our remaining 40-year land-use rights on the unutilised HBYS Plot 2 (30,000 sqm) should total approximately $62 million after tax and will be primarily free cash flow. Furthermore, once the new HBYS factories in Bozhou and Zhong Luo Tan are complete HBYS will have the potential to monetise Plot 1 (59,000 sqm) which should, based on comparison to Plot 2, generate compensation of approximately $139 million after tax to HBYS. As with SHPL, the HBYS sites are within less than 1km walking distance from the nearest Guangzhou metro station and are a central part of a new residential and commercial redevelopment zone in Bai Yun district.

China Healthcare JV Dividends: The increasing profits of the China Healthcare Division continue to pass through to the Chi-Med Group through dividend payments. Profit in our two JVs, SHPL and HBYS, totalled $185.1 million from 2005 to 2013 of which a total of $120.5 million (65%) has been paid in dividends to Chi-Med and its partners and $64.6 million (35%) has been retained, primarily at HBYS, to fund the factory upgrade, expansion and relocation. Dividends of $12.7 million (H1 2013: $11.3m) were paid from the JVs to the Chi-Med Group level during the first half of 2014, representing 67% (H1 2013: 70%) of the profit for the period.

Drug R&D Division

In the first half of 2014, HMP revenue remained flat at $9.9 million (H1 2013: $10.5m) and the net loss attributable to Chi-Med equity holders increased to $7.2 million (H1 2013: -$4.8m) reflecting the much higher level of clinical activity. HMP moved forward all aspects of its oncology and immunology pipeline during the first half of 2014, managing 10 active clinical trials on seven drug candidates, either independently or in collaboration with our partners.

Clinical trial spending during the first half of 2014 by HMP and its partners, invoiced through HMP, on these seven programmes totalled approximately $19.8 million (H1 2013: $15.2m). In addition, we estimate that a total of approximately $2.0 to 3.0 million (H1 2013: estimated as <$1.0m) was spent directly by AstraZeneca on initiation of global Phase II programmes and Janssen on regulatory toxicity testing. In the first half of 2014, HMP's subsidiaries and JVs received cash and equity injections and contractual obligations of $20.1 million (H1 2013: $38.1m) reflecting a combination of milestones, service fees, clinical cost reimbursement, short-term loans and equity injections. These cash injections and obligations came primarily from AstraZeneca, Nestlé Health Science, Lilly, Mitsui & Co., Ltd. and Janssen.

Product Pipeline Progress

HMPL-004: Our most clinically advanced drug candidate, HMPL-004, continued to enrol patients into its global Phase III registration studies in ulcerative colitis. Two Phase III studies are underway, an 8-week induction study (NATRUL-3) and a 52-week maintenance study (NATRUL-4). The HMPL-004 clinical programme is a major investment for NSP, with spending of $11.4 million in the first half of 2014 and a total of $29.0 million since April 2013.

Chi-Med and our partners in NSP, Nestlé Health Science, are making this investment because of the high unmet medical need in inflammatory bowel disease ("IBD"), its major market potential, and the encouraging Phase II/IIb data previously reported on HMPL-004 in both ulcerative colitis and Crohn's disease. The global IBD market is reported to be over $8 billion per year and is growing rapidly. Recent reports show the number of hospital admissions due to Crohn's disease in the United Kingdom among 16-29 year olds has grown 300% in the past 10 years. These global trends have made IBD a very attractive therapeutic area for big pharmaceutical companies. An example of this appetite is the April 2014 licensing deal of a Phase II stage Crohn's disease drug candidate, GED-0301, in which Celgene Corp. agreed to pay a $710 million upfront payment, up to $1.8 billion in development, approval, and commercial milestones, and royalties on net sales.

Since our Phase IIb study reported positive results in ulcerative colitis at the end of 2009, the United States Food and Drug Administration ("US FDA") has evolved the way clinical trials are conducted in IBD. First, drugs are now approved based upon inducing and maintaining the almost complete remission of a disease flare-up; whereas, in the past response or meaningful improvement in condition was sufficient. Furthermore, in an effort to limit the historically high placebo effects in IBD trials, the US FDA now expects central reading of colonoscopies during patient screening and evaluation, a process that shifts the responsibility for grading the severity of disease from the local investigator to a central team of physicians. This removes variability

and reduces risk of enrolment of patients with lower levels of disease, which can make it easier for the placebo-arm to register improvement. The first global study to report using central reading of colonoscopies, a 119 patient Phase II study in moderate-to-severe ulcerative colitis on Etrolizumab (Genentech), appears to have delivered on the US FDA's objective by reporting a placebo-arm remission rate of 0%.

We will conduct an interim analysis of NATRUL-3 in mid-August 2014. This interim analysis will assess both futility, in terms of efficacy, and safety on approximately one-third of the planned patients in NATRUL-3. The interim analysis will help NSP plan the balance of the NATRUL-3, NATRUL-4, NATRUL-5 (a second 8-week induction study) and Crohn's disease programmes.

AZD6094 (HMPL-504/volitinib): AZD6094 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. HMP, in collaboration with AstraZeneca, is progressing AZD6094 in multiple indications.

PRCC – PRCC, represents approximately 10-15% of the 270,000 new renal cell carcinoma (kidney cancer) patients worldwide annually. Chi-Med announced in May 2014 that HMP and AstraZeneca had commenced a global Phase II study in PRCC to be conducted in approximately 20 centres in the US, Canada and Europe. The basis for the Phase II study in PRCC was the strong correlation in the Australian Phase I study between c-Met status and response to AZD6094 published in May 2014 at ASCO. Out of a total of six PRCC patients, who were treated with various doses of AZD6094, three achieved partial response (tumour measurement reduction of >30%), while two achieved stable disease. This ORR of 50% is very encouraging for PRCC which currently has no approved treatments on the global market. Prior to AZD6094, the highest ORR reported for a PRCC specific Phase II study (of 74 PRCC patients) was 13.5% by Foretinib (GlaxoSmithKline) in 2012. If in the global Phase II study on PRCC we are able to deliver an ORR in-line with that seen in the Australian Phase I, we will look to pursue US FDA Breakthrough Therapy designation.

The second possible breakthrough indication for AZD6094 is in EGFRm+ TKI resistant non-small cell lung cancer c-Met+ patients. There are about 1.4 million new non-small cell lung cancer patients worldwide annually of which, while varying greatly by ethnicity, up to approximately 30% have EGFRm+. Non-small cell lung cancer patients with EGFRm+ are treated effectively with TKIs such as Iressa (AstraZeneca) and Tarceva (Roche) with total annual sales of approximately $2 billion. Unfortunately, most patients build resistance to EGFRm+ TKIs and tumour growth restarts via resistance pathways. The main resistance pathway for EGFRm+ TKI resistant patients is the T790M mutation ("T790M+") which is the cause of tumour re-growth in approximately 45-50% of relapsed patients. Importantly however, c-Met+ is the second largest resistance pathway, causing regrowth in about 15-20% of relapsed patients.

It has been well-documented in the past three months that AstraZeneca has received US FDA Breakthrough Therapy designation on AZD9291, its drug candidate for T790M+ EGFRm+ TKI resistant patients. In this patient population AZD9291 recorded an ORR of 64% in a large-scale Phase I study and the non-risk adjusted peak year sales potential for this indication is estimated at $3 billion. In the additional 15-20% of EGFRm+ TKI resistant patients who progress because of c-Met+, a clinical study of an AZD9291 plus AZD6094 combination treatment has been agreed between HMP and AstraZeneca and is starting. The idea is that shutting down the two main resistance pathways, representing 60-70% of all EGFRm+ TKI resistant patients, would severely limit the avenues for tumour growth. We believe that this novel combination, of two well tolerated therapies, has potential to deliver the ORR levels needed to qualify for US FDA Breakthrough Therapy designation for this c-Met+ patient population. It is reasonable to estimate, based on a proportional reference to the T790M+ market size, that this c-Met+ patient population could have incremental non-risk adjusted peak year sales potential of approximately $1 billion.

Beyond the two possible Breakthrough Therapy designation indications discussed above, we are investigating, in the Phase Ib setting, multiple further tumour types in which c-Met has been shown to function abnormally. We expect that these Phase Ib studies will, subject to positive outcome, lead to late-stage development of AZD6094 in several further high-potential indications.

Fruquintinib: Fruquintinib (HMPL-013) is a novel small molecule compound to treat cancer that selectively inhibits vascular endothelial growth factor ("VEGF") receptors. Fruquintinib is highly selective, and unlike other VEGF receptor ("VEGFR") inhibitors, only inhibits VEGFR1, 2 and 3 resulting in high potency in target coverage for extended periods at low dosages. In October 2013 HMP entered into a license and collaboration agreement on fruquintinib with Lilly. Since then, HMP has started two Phase II proof-of-concept studies in China, one in third-line colorectal cancer and the other in third-line non-small cell lung cancer.

HMP and Lilly intend to start a Phase Ib study in a third tumour-type as well as a pivotal Phase III study in third-line colorectal cancer in China in the second half of 2014.

In May 2014, HMP published encouraging China Phase Ib clinical results at ASCO in third-line colorectal cancer which are the basis for our decision to progress at full speed into Phase III in 2014. The fruquintinib Phase Ib study reported in the 5mg 3-week on/1-week off arm (n = 42) ORR of 10.3%, Disease Control Rate ("DCR") of 82.1%, and 9-month Overall Survival ("OS") of 50%. For reference, in a recently published Asian Phase III third-line colorectal cancer study, Regorafenib (Bayer) administered at 160mg 3-week on/1-week off regimen (n = 136), reported ORR of 4.4%, DCR of 51.5%, and 9-month OS of approximately 46% comparing in the same study to a placebo-arm (n = 68) ORR of 0.0%, DCR of 7.4%, and 9 month OS of approximately 24%. Based on extensive pre-clinical data and in part on the above clinical data, we believe that fruquintinib has potential to become the global best-in-class small molecule VEGFR inhibitor and address major unmet medical needs in China and beyond.

Under the terms of the license and collaboration agreement for fruquintinib with Lilly, HMP is responsible for the manufacture of fruquintinib in China. Furthermore, it is a requirement in China that Phase III registration studies use drug product manufactured in the facility that will support first commercial supply upon approval. As a result, HMP is in the final stages of establishing a GMP manufacturing facility for fruquintinib in Suzhou, Jiangsu province.

Sulfatinib: Sulfatinib (HMPL-012) is a novel small molecule that selectively inhibits the tyrosine kinase activity associated with VEGF and fibroblast growth factor receptors ("FGFR"). HMP started Phase I on sulfatinib in 2010 and identified issues in the pharmacokinetic properties of the drug, primarily high variability in drug absorption both inter-patient and intra-patient. In 2012, HMP made formulation adjustments to sulfatinib, micronising (i.e. milling) the drug substance, to improve absorption and restarted dose escalation in the Phase I study in early 2013.

The Phase I results on sulfatinib have been highly encouraging and were published in May 2014 at ASCO. Latest data shows ORR of 33% and DCR of 100% among 12 NET patients. NET is a rare cancer of the hormone system, normally slow growth, affecting the gastrointestinal tract, lung, pancreas, and several other organs. There are 12,000-15,000 new NET patients annually in the United States and prevalence of 125,000. The early preliminary clinical efficacy of sulfatinib compares very favourably to existing drugs approved in the NET arena. Sutent (Pfizer) and Afinitor (Novartis) are both approved only in pancreatic NET and have ORR of <10% and DCR approximately 70%. Octreotide (Novartis), a chemotherapy agent for all NET patients has ORR of 6% and DCR around 35-45%. Chemotherapy combinations are now being studied for NET, such as Capecitabine (Roche) plus Temozolomide (a generic), and are showing encouraging ORR/DCRs, but tolerability and toxicity will be a challenge with these combinations for long-term use. We believe that sulfatinib has the potential to revolutionise the treatment of NET and are currently expanding the Phase I study to enrol further NET patients. Continued high levels of ORR/DCR among NET patients could also raise the possibility of expanding the programme to the US and considering application for US FDA Breakthrough Therapy designation.

HMPL-523: HMPL-523 is a novel, highly selective and potent small molecule inhibitor targeting the spleen tyrosine kinase, known as Syk, a key component in B-cell receptor signalling. As one of the major cellular components of the immune system, B-cells play pivotal roles in autoimmune diseases such as rheumatoid arthritis and lupus as well as B-cell malignancies in oncology. Global pharmaceutical companies have been working on oral small-molecule Syk inhibitors for many years because of the major unmet medical need and potential in diseases such as rheumatoid arthritis (a market expected to reach $38.5 billion in 2017), unfortunately without breakthrough clinical success. Oral small molecule therapies are attractive because they are more convenient to use than intravenous monoclonal antibody immune-modulators like Remicade (Janssen) and Humira (AbbVie). Furthermore, oral small molecules are generally cleared more quickly from the body as compared to the weeks or months for antibodies, so as a consequence, it is easier to manage serious side effects by stopping the medication.

Most recently, in 2013 Fostamatinib (AstraZeneca/Rigel), an oral small molecule pro-drug of the Syk inhibitor R406, failed to meet its primary endpoints in a global Phase III study in rheumatoid arthritis. Most companies with experience in the field attribute clinical failure of Syk compounds to-date to safety concerns. While it is well accepted, from both preclinical and clinical data, that effective inhibition of Syk will lead to the desired temporary down-regulation of the immune system and ameliorate inflammation, it has however never been achieved by a compound with an acceptable safety profile. This is made particularly challenging in rheumatoid arthritis, which is a chronic disease requiring treatment over long periods of time in otherwise healthy individuals, so safety thresholds are extremely high.

HMP has worked in discovery for five years on HMPL-523 and we believe that it is the most selective Syk inhibitor currently in development. Selectivity is critical in this case as, unlike failed Syk inhibitors in the past, there is no off-target kinase inhibition which means Syk can be suppressed effectively without off-target toxicity. In June 2014, HMP began a Phase I clinical trial in Australia to study dose escalation, safety, tolerability and pharmacokinetics for single and multiple doses of HMPL-523 in healthy volunteers. This Phase I study will complete in approximately six months and if the safety profile HMPL-523 is good it should become a highly attractive prospect for licensing for global development.

Epitinib: Epitinib (HMPL-813) is a highly potent inhibitor of the epidermal growth factor receptor ("EGFR") tyrosine kinase involved in tumour growth, invasion and migration. Pre-clinical studies and orthotopic brain tumour models have shown that epitinib demonstrated excellent brain penetration and efficacy, superior to that of current globally marketed EGFRm+ inhibitors such as Iressa (AstraZeneca) and Tarceva (Roche). The first-in-human Phase I clinical trial started in late 2011 and epitinib has been well tolerated and demonstrated the anti-tumour activity expected from EGFRm+ inhibitors, i.e. partial response among patients with non-small cell lung cancer with EGFRm+. HMP is now working in a Phase Ib study, towards establishing activity in non-small cell lung cancer patients with tumours metastasised to the brain carrying EGFRm+ – which if proven will address a major unmet medical need.

Theliatinib: Theliatinib (HMPL-309) is a novel small molecule EGFR inhibitor. In pre-clinical testing, it was found to have potent anti-EGFR activity against the growth of not only the tumours with EGFRm+, but also those without (the majority, also known as wild-type EGFR). Other than non-small cell lung cancer, most other tumour types have no EGFRm+. The current EGFR inhibitor products have limited response for these cancers and therefore are limited to only non-small cell lung cancer patients with the EGFRm+. The Phase I clinical trial started in China in late-2012 and results are anticipated to be available in 2015.

Discovery programmes: Our fully integrated discovery teams in oncology and immunology continued to make substantial progress during the period. We staff and resource our discovery team with the objective of producing one or two new internally discovered drug candidates per year. In April 2014, we moved our Syk inhibitor, HMPL-523 for immunology, out of discovery and into a Phase I study. We are also now actively working late-stage discovery programmes in oncology against the novel targets PI3K delta and Syk, for haematological liquid tumours, and FGFR for solid tumours and target to move one or two new drug candidates into development over the coming 12 months. Furthermore, our collaboration with Janssen in inflammation is continuing to progress well, with the start of clinical development of a collaboration compound being a near term objective.

Consumer Products Division

Our strategy remains to build a "healthy living" focused consumer products group primarily in China. The demand for high quality health oriented consumer products is strong and our products are unique. As a result, the overall sales in the Consumer Products Division continuing operations in the first half of 2014 grew by 16% to $6.4 million (H1 2013: $5.5m) and achieved breakeven profitability of $0.0 million attributable to Chi-Med equity holders (H1 2013: -$0.4m).

In May 2014, we were able to recoup some of the losses incurred during the past three years from the China infant formula business when we were paid an award of $2.5 million resulting from arbitration proceedings against a supplier of infant formula. Consequently, after adjustments, we were able to book other income of $2.1 million. We remain interested in the mainland Chinese infant formula market and continue to work scalable sourcing alternatives with reputable global infant formula suppliers for both the Zhi Ling Tong and Earth's Best® brands.

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

The performance of Hutchison Hain Organic during the first half of 2014 continued to be strong with sales of its distribution business growing 25% to $6.0 million (H1 2013: $4.8m) and achieving a net profit attributable to Chi-Med equity holders of $0.1 million (H1 2013: -$0.1m). Sales expansion continued to come from Hong Kong, Singapore, Thailand and Taiwan and we expect will continue to grow gradually as more and more Asian consumers look for high quality organic and natural products.

Summary

Each of our businesses is very well positioned to deliver further growth in the second half of this year and beyond. Our China Healthcare Division is set to continue its ten year track record of reliable and material profit growth as well as unlock its commercial capability through the GSP restructuring that has now taken place. Our Drug R&D Division looks set to create step-change value through the progress of its extensive pipeline and moving multiple drug candidates towards approvals over the next two to three years. We believe that we are squarely on course to achieve our goal of becoming a major, and highly profitable, pharmaceutical company based in China and providing innovations and products to the China and the global markets.

Christian Hogg
Chief Executive Officer, 28 July 2014

Report On Review Of Interim Financial Report

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

Introduction

We have reviewed the interim financial report set out on pages 14 to 43, which comprises the condensed consolidated statement of financial position of Hutchison China MediTech Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014, and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 July 2014

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000
Continuing operations			
Revenue	4	30,329	17,553
Cost of sales		(21,320)	(8,479)
Gross profit		9,009	9,074
Selling expenses		(1,788)	(1,952)
Administrative expenses		(11,664)	(12,063)
Other net operating (expenses)/income	5	(582)	539
Share of profits less losses after tax of joint ventures		13,093	11,778
Operating profit	6	8,068	7,376
Finance costs	7	(744)	(726)
Profit before taxation		7,324	6,650
Taxation charge	8	(954)	(711)
Profit for the period from continuing operations		6,370	5,939
Discontinued operations			
Profit/(loss) for the period from discontinued operations	9	1,750	(1,978)
Profit for the period		8,120	3,961
Attributable to:			
Equity holders of the Company			
- Continuing operations		5,573	4,686
- Discontinued operations		875	(1,408)
		6,448	3,278
Non-controlling interests		1,672	683
		8,120	3,961
Earnings per share for profit from continuing operations attributable to equity holders of the Company for the period (US$ per share)			
- basic	10(a)	0.1068	0.0900
- diluted	10(b)	0.1059	0.0887
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company for the period (US$ per share)			
- basic	10(a)	0.1236	0.0630
- diluted	10(b)	0.1225	0.0620

Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 30 June 2014

	Unaudited Six months ended 30 June	
	2014 US$'000	2013 US$'000
Profit for the period	8,120	3,961
Other comprehensive (loss)/income that has been or may be reclassified subsequently to profit or loss:		
Exchange translation differences	(3,649)	1,809
Total comprehensive income for the period (net of tax)	4,471	5,770
Attributable to:		
Equity holders of the Company		
- Continuing operations	2,363	6,324
- Discontinued operations	875	(1,410)
	3,238	4,914
Non-controlling interests	1,233	856
	4,471	5,770

Condensed Consolidated Statement Of Financial Position

As at 30 June 2014

	Note	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	6,252	5,028
Leasehold land		1,442	1,508
Goodwill	18(b)	1,953	407
Other intangible assets	18(b)	696	-
Investment in joint ventures	12	113,685	111,405
Deferred tax assets		264	285
		124,292	118,633
Current assets			
Inventories		4,097	1,420
Trade receivables	13	24,771	13,410
Other receivables and prepayments		3,734	3,356
Amount due from related parties	19(b)	1,702	1,985
Cash and cash equivalents		59,427	46,863
		93,731	67,034
Total assets		218,023	185,667
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	52,896	52,051
Reserves		41,194	36,819
		94,090	88,870
Non-controlling interests		25,584	15,966
Total equity		119,674	104,836

Condensed Consolidated Statement Of Financial Position

As at 30 June 2014

	Note	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
LIABILITIES			
Current liabilities			
Trade payables	15	16,710	4,163
Other payables, accruals and advance receipts		12,299	15,389
Amount due to a related party	19(b)	7,769	7,374
Bank borrowings	16	31,431	51,508
Current tax liabilities		400	-
		68,609	78,434
Non-current liabilities			
Deferred tax liabilities		2,817	2,397
Bank borrowing	16	26,923	-
		29,740	2,397
Total liabilities		98,349	80,831
Net current assets/(liabilities)		25,122	(11,400)
Total assets less current liabilities		149,414	107,233
Total equity and liabilities		218,023	185,667

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2013

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital 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 2013	52,048	93,669	4,974	9,380	496	(89,989)	70,578	11,620	82,198
Profit for the period	-	-	-	-	-	3,278	3,278	683	3,961
Other comprehensive income:									
Exchange translation differences	-	-	-	1,636	-	-	1,636	173	1,809
Total comprehensive income for the period (net of tax)	-	-	-	1,636	-	3,278	4,914	856	5,770
Issue of shares (Note 14(a))	3	6	(2)	-	-	-	7	-	7
Share-based compensation expenses	-	-	205	-	-	-	205	6	211
Transfer between reserves	-	-	(161)	-	-	161	-	-	-
Dilution of interest in a subsidiary (Note 17)	-	-	(120)	(243)	-	9,459	9,096	3,371	12,467
As at 30 June 2013	52,051	93,675	4,896	10,773	496	(77,091)	84,800	15,853	100,653

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30 June 2014

	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 2014	52,051	93,675	5,016	12,079	496	(74,447)	88,870	15,966	104,836
Profit for the period	-	-	-	-	-	6,448	6,448	1,672	8,120
Other comprehensive loss:									
Exchange translation differences	-	-	-	(3,210)	-	-	(3,210)	(439)	(3,649)
Total comprehensive (loss)/income for the period (net of tax)	-	-	-	(3,210)	-	6,448	3,238	1,233	4,471
Issue of shares (Note 14(a))	845	3,188	(2,477)	-	-	-	1,556	-	1,556
Share-based compensation expenses	-	-	426	-	-	-	426	50	476
Transfer between reserves	-	-	(167)	-	8	159	-	-	-
Acquisition of a subsidiary (Note 18(b))	-	-	-	-	-	-	-	7,526	7,526
Repayment of loan to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(2,250)	(2,250)
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	3,059	3,059
As at 30 June 2014	52,896	96,863	2,798	8,869	504	(67,840)	94,090	25,584	119,674

Condensed Consolidated Statement Of Cash Flows

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	18(a)	3,241	(11,338)
Interest received		187	201
Finance costs paid		(656)	(685)
Income tax paid		(666)	(565)
Dividend received from joint ventures		12,718	11,308
Net cash generated from/(used in) operating activities		14,824	(1,079)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,866)	(329)
Loan to a joint venture		(5,000)	-
Acquisition of a subsidiary	18(b)	689	-
Net cash used in investing activities		(6,177)	(329)
Cash flows from financing activities			
Repayment of loan to a non-controlling shareholder of a subsidiary		(2,250)	-
Capital contribution from a non-controlling shareholder of a subsidiary		3,059	-
Issue of shares, net of share issuance costs		1,556	7
New short-term bank loans		8,205	14,295
Repayment of short-term bank loans		(6,128)	-
Net cash generated from financing activities		4,442	14,302
Net increase in cash and cash equivalents		13,089	12,894
Cash and cash equivalents at beginning of the period		46,863	30,767
Exchange differences		(525)	143
Cash and cash equivalents at end of the period		59,427	43,804
Analysis of cash and cash equivalents			
- Cash and bank balances		59,427	43,804

Non-cash transaction:

In 2013, the Group's convertible preference shares of US$12,467,000 were settled through reclassification from non-current financial liability to equity as explained in Note 17.

Notes To The Condensed Interim Accounts

1 General information

Hutchison China MediTech Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in researching, developing, manufacturing and selling pharmaceuticals and health-related consumer products. The Group and its joint ventures have manufacturing plants in Shanghai and Guangzhou in the People's Republic of China (the "PRC") and sell mainly in the PRC and Hong Kong.

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 AIM regulated 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 28 July 2014.

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 2014 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 2013 (the "2013 annual accounts"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Significant accounting policies

The condensed interim accounts have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the 2013 annual accounts, except for the adoption of the amendments and interpretations issued by the International Accounting Standards Board that are the mandatory for annual periods beginning 1 January 2014.

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

3. Financial risk management and accounting estimates

The Group's activities expose it to a variety of financial risks: market risk (including exchange rate risk and cash flow interest rate risk), credit risk and liquidity risk. There have been no changes in any risk management policies since last year end.

The preparation of interim accounts required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. In preparing these interim accounts, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2013 annual accounts with the exception of the new accounting estimate that is required in determining the allocation of purchase price amongst identifiable assets and liabilities on acquisition as described below.

Allocation of purchase price amongst identifiable assets acquired and liabilities assumed in the business combination:

The Group accounts for the business combination as detailed in Note 18(b) in accordance with IFRS 3 "Business Combinations". At the date of initial recognition, it is required to recognise separately the Group's share of identifiable assets and liabilities that satisfy the recognition criteria regardless of whether they have been previously recognised in acquiree's financial statements. The determination of the fair value in respect of the intangible assets was referenced to the inflow of future economic benefits and the outflow of future economic resources required to settle the obligation which requires significant amount of judgement and estimate. An independent professional valuer was engaged to assist in determining the fair values of the assets acquired and liabilities assumed in the business combination.

Notes To The Condensed Interim Accounts

4 Revenue and segment information

The Group is principally engaged in researching, developing, manufacturing and selling pharmaceuticals and health-related consumer products. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2014 US$'000	2013 US$'000
Continuing operations:		
Sales of goods	20,397	7,096
Income from research and development projects (note)	9,932	10,457
	30,329	17,553
Discontinued operations:		
Sales of goods	-	(104)
	30,329	17,449

Note:

Income from research and development projects include upfront income and milestone income of US$5.0 million (30 June 2013: US$7.3 million) from a global licensing, co-development and commercialisation agreement and income from the provision of research and development services of US$4.9 million (30 June 2013: US$ 3.2 million).

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

- China healthcare: comprises the development, manufacture, distribution and sales 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-related consumer products.

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

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

In June 2013, the Group discontinued its consumer products operations in France and a major business line in the PRC consumer products operation. Details of the discontinued operations are included in Note 9.

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

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

Continuing operations

	As at and for the six months ended 30 June 2014						
	China healthcare	Drug R&D	Consumer products		Reportable segment		
	PRC	PRC	PRC	Hong Kong	Total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	13,968	9,932	211	6,218	30,329	-	30,329
EBIT/(LBIT)	355	(1,539)	(339)	465	(1,058)	(4,154)	(5,212)
Interest income	8	18	4	2	32	155	187
Share of profits less losses after tax of joint ventures	18,775	(5,682)	-	-	13,093	-	13,093
Operating profit/(loss)	19,138	(7,203)	(335)	467	12,067	(3,999)	8,068
Finance costs	67	-	-	-	67	677	744
Additions to non-current assets (other than goodwill, investment in joint ventures and deferred tax assets)	782	1,856	-	-	2,638	5	2,643
Depreciation/ amortisation	17	516	1	4	538	22	560
Total assets	130,432	53,856	1,162	4,963	190,413	27,610	218,023

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

Discontinued operations

	As at and for the six months ended 30 June 2014								
	China healthcare	Drug R&D	Consumer products				Reportable segment		
	PRC	PRC	PRC	UK	France	Hong Kong	Total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	-	-	-	-	-	-	-	-	-
EBIT	-	-	2,096	-	-	-	2,096	-	2,096
Interest income	-	-	-	-	-	-	-	-	-
Share of profits less losses after tax of joint ventures	-	-	-	-	-	-	-	-	-
Operating profit	-	-	2,096	-	-	-	2,096	-	2,096
Finance costs	-	-	-	-	-	-	-	-	-
Additions to non-current assets (other than goodwill, investment in joint ventures and deferred tax assets)	-	-	-	-	-	-	-	-	-
Depreciation/ impairment	-	-	-	-	-	-	-	-	-
Total assets	-	-	-	-	-	-	-	-	-

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

Continuing operations

	As at and for the six months ended 30 June 2013						
	China healthcare	Drug R&D	Consumer products		Reportable segment		
	PRC	PRC	PRC	Hong Kong	Total	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	1,557	10,457	385	5,154	17,553	-	17,553
EBIT/(LBIT)	128	(819)	(8)	(494)	(1,193)	(3,410)	(4,603)
Interest income	3	14	-	9	26	175	201
Share of profits less losses after tax of joint ventures	15,975	(4,197)	-	-	11,778	-	11,778
Operating profit/(loss)	16,106	(5,002)	(8)	(485)	10,611	(3,235)	7,376
Finance costs	89	-	-	-	89	637	726
Additions to non-current assets (other than goodwill, investment in joint ventures and deferred tax assets)	4	320	-	1	325	4	329
Depreciation/ amortisation	10	509	-	8	527	18	545
Total assets	91,192	46,462	1,655	6,905	146,214	31,183	177,397

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

Discontinued operations

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

Revenue from external customers is after elimination of inter-segment sales. The amount eliminated attributable to consumer products segment from Hong Kong to the PRC is US$105,000 (30 June 2013: US$374,000).

Sales between segments are carried out at mutually agreed terms.

Unallocated expenses mainly represent corporate expenses which include corporate employee benefit expenses and the relevant share-based compensation expenses. Unallocated assets mainly comprise cash at banks and amount due from related parties.

Notes To The Condensed Interim Accounts

4 Revenue and segment information (Continued)

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

	Six months ended 30 June	
	2014 US$'000	2013 US$'000
LBIT	(1,058)	(1,193)
Unallocated expenses	(4,154)	(3,410)
Interest income	187	201
Share of profits less losses after tax of joint ventures	13,093	11,778
Finance costs	(744)	(726)
Profit before taxation and discontinued operations	7,324	6,650

As at 30 June 2014, total non-current assets other than investment in joint ventures and deferred tax assets located in the PRC and Hong Kong were US$10,229,000 (30 June 2013: US$4,975,000) and US$114,000 (30 June 2013: US$123,000) respectively.

5 Other net operating (expenses)/income

	Six months ended 30 June	
	2014 US$'000	2013 US$'000
Continuing operations:		
Interest income	187	201
Net foreign exchange (losses)/gains	(872)	336
Other operating income	103	2
	(582)	539

6 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2014 US$'000	2013 US$'000
Continuing operations:		
Amortisation of leasehold land	19	18
Amortisation of intangible asset	12	-
Write-off of inventories	22	-
Provision for inventories	99	-
Provision for trade receivables	18	-
Cost of inventories recognised as expense	21,320	8,479
Depreciation on property, plant and equipment	529	527
Employee benefit expenses	9,283	8,342
Operating lease rentals in respect of land and buildings	434	308
Research and development expenses	2,933	3,174

Notes To The Condensed Interim Accounts

7 Finance costs

	Six months ended 30 June	
	2014 US$'000	2013 US$'000
Continuing operations:		
Interest expense on bank loans	458	451
Interest expense on amount due to immediate holding company	52	41
Guarantee fee on bank loan	234	234
	744	726

8 Taxation charge

	Six months ended 30 June	
	2014 US$'000	2013 US$'000
Continuing operations:		
Current taxation	96	-
Deferred taxation	858	711
Taxation charge	954	711

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit of approximately US$345,000 (30 June 2013: nil) for the six months ended 30 June 2014. Taxation in the PRC is calculated based on the estimated assessable profit of approximately US$156,000 (30 June 2013: nil) at the rates of taxation prevailing in the PRC.

Notes To The Condensed Interim Accounts

9 Results and cash flows of discontinued operations

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

The results and cash flows of the discontinued operations are set out below.

	Six months ended 30 June	
	2014 US$'000	2013 US$'000
Revenue and income	2,096	(104)
Expenses	-	(1,874)
Profit/(loss) before taxation from discontinued operations	2,096	(1,978)
Taxation charge	(346)	-
Profit/(loss) for the period from discontinued operations	1,750	(1,978)
Cash flows from discontinued operations		
Net cash flows generated from/(used in) operating activities	2,515	(636)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Net cash flows	2,515	(636)

The income from the discontinued operations for the six months ended 30 June 2014 represented the compensation income from an arbitration proceeding against a supplier, being the excess of US$2.5 million compensation proceeds received over the carrying amount of US$0.4 million receivables already recorded in prior years.

Notes To The Condensed Interim Accounts

10 Earnings/(losses) per share

(a) Basic earnings/(losses) per share

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

	Six months ended 30 June	
	2014	2013
Weighted average number of ordinary shares in issue	52,173,678	52,050,520
Profit/(loss) for the period attributable to equity holders of the Company		
- Continuing operations (US$'000)	5,573	4,686
- Discontinued operations (US$'000)	875	(1,408)
	6,448	3,278
Earnings/(losses) per share attributable to equity holders of the Company		
- Continuing operations (US$)	0.1068	0.0900
- Discontinued operations (US$)	0.0168	(0.0270)
	0.1236	0.0630

(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 (determined as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of share options.

	Six months ended 30 June	
	2014	2013
Weighted average number of outstanding ordinary shares in issue	52,173,678	52,050,520
Adjustment for share options	448,649	781,313
	52,622,327	52,831,833
Profit/(loss) for the period attributable to equity holders of the Company		
- Continuing operations (US$'000)	5,573	4,686
- Discontinued operations (US$'000)	875	(1,408)
	6,448	3,278
Diluted earnings per share for profit from continuing operations attributable to equity holders of the Company (US$ per share)	0.1059	0.0887

Notes To The Condensed Interim Accounts

10 Earnings/(losses) per share (Continued)

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

	Six months ended 30 June	
	2014	2013
Diluted earnings per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company (US$ per share)	0.1225	0.0620

Diluted losses per share from discontinued operations for the six months ended 30 June 2014 is US$0.0166 (30 June 2013: the same as the basic losses per share from discontinued operations since the share option had anti-dilutive effect).

11 Property, plant and equipment

	Six months ended 30 June	
	2014 US$'000	2013 US$'000
Net book value as at 1 January	5,028	3,344
Acquisition of a subsidiary (Note 18(b))	69	-
Additions	1,866	329
Disposal	(15)	(1)
Depreciation for the period	(529)	(527)
Exchange differences	(167)	43
Net book value as at 30 June	6,252	3,188

12 Investment in joint ventures

	30 June 2014 US$'000	31 December 2013 US$'000
Unlisted shares	61,875	61,875
Share of undistributed post acquisition reserves	51,810	49,530
	113,685	111,405

12 Investment in joint ventures (Continued)

Particulars regarding the principal joint ventures are set below:

Name	Place of incorporation / principal place of operations	Equity interest attributable to the Group	Nature of relationship	Measurement method
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS")	The PRC	40% (note(i))	Manufacture and distribution of Traditional Chinese Medicine ("TCM") products	Equity
Shanghai Hutchison Pharmaceuticals Limited	The PRC	50%	Manufacture and distribution of TCM products	Equity
Nutrition Science Partners Limited ("NSP")	Hong Kong	43.88% (note(ii))	Provide research and development of pharmaceutical products	Equity

All of the above joint ventures are private companies and there is no quoted market price available for its shares.

Notes:

(i) There is 20% non-controlling interest in the intermediate holding company which holds 50% equity interest in HBYS.

(ii) There is 12.24% non-controlling interest in the intermediate holding company which holds 50% equity interest in NSP.

13 Trade receivables

	30 June 2014 US$'000	31 December 2013 US$'000
Trade receivables from third parties	23,316	10,424
Trade receivables from related parties (Note 19(b))	1,455	2,986
	24,771	13,410

Substantially all the trade receivables are denominated in Renminbi ("RMB") and Hong Kong dollars ("HK$") and are due within one year from the end of the reporting period.

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

Notes To The Condensed Interim Accounts

14 Share capital

(a) Authorised and issued share capital

	Number of shares of US$1 each	Nominal amount US$'000
Authorised:		
As at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014	75,000,000	75,000

	Number of shares	US$'000
Issued and fully paid:		
As at 1 January 2013	52,048,448	52,048
Issue of shares under the Company's share option scheme (note)	3,000	3
As at 30 June 2013	52,051,448	52,051
As at 1 January 2014	52,051,448	52,051
Issue of shares under the Company's share option scheme (note)	845,000	845
As at 30 June 2014	52,896,448	52,896

Note:

Issue date	26 February 2013	3 June 2014	23 June 2014
Number of ordinary share of US$1 each allotted and issued by the Company	3,000	768,182	76,818
Issue price	£1.535	£1.09	£1.09
Aggregate cash consideration received (US$'000)	7	1,415	141
Weighted average share price at the exercise date	£4.40	£8.35	£8.35

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

Notes To The Condensed Interim Accounts

14 Share capital (Continued)

(b) Share option schemes

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

The following share options were outstanding under the HCML Share Option Scheme as at 30 June 2014:

Name or category of participants	Effective date of grant of share options	Exercise period of share options	Exercise price of share options	Number of shares subject to the options
Director				
Johnny Cheng	25 August 2008 (note (i))	From 25 August 2008 to 24 August 2018	£1.260	64,038
Employees in aggregate	11 September 2006 (note (ii))	From 11 September 2006 to 18 May 2016	£1.715	26,808
	18 May 2007 (note (iii))	From 18 May 2007 to 17 May 2017	£1.535	40,857
	28 June 2010 (note (i))	From 28 June 2010 to 27 June 2020	£3.195	102,628
	1 December 2010 (note (i))	From 1 December 2010 to 30 November 2020	£4.967	177,600
	24 June 2011 (note (i))	From 24 June 2011 to 23 June 2021	£4.405	150,000
	20 December 2013 (note (i))	From 20 December 2013 to 19 December 2023	£6.100	896,386
				1,458,317

Notes To The Condensed Interim Accounts

14 Share capital (Continued)

(b) Share option schemes (Continued)

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

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

	2014		2013	
	Weighted average exercise price in £ per share	Number of options	Weighted average exercise price in £ per share	Number of options
As at 1 January	3.67	2,303,317	2.22	1,459,931
Exercised	1.09	(845,000)	1.54	(3,000)
Lapsed	-	-	4.97	(50,000)
As at 30 June	5.16	1,458,317	2.12	1,406,931

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 2014.

Notes:

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

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

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

(iv) As at 30 June 2014, the fair value of share options in connection with the 1,458,317 share options outstanding as at the same date remain unvested amounted to £625,000 (equivalent to US$1,056,000). 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 2014 amounted to US$439,000 (30 June 2013: US$122,000).

Notes To The Condensed Interim Accounts

14 Share capital (Continued)

(b) Share option schemes (Continued)

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

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

	Effective date of grant of share options						
	11 September 2006	18 May 2007	25 August 2008	28 June 2010	1 December 2010	24 June 2011	20 December 2013
Value of each share option	£0.553	£0.533	£0.569	£1.361	£1.995	£1.841	£3.154
Significant inputs into the valuation model:							
Exercise price	£1.715	£1.535	£1.260	£3.195	£4.967	£4.405	£6.100
Share price at effective grant date	£1.7325	£1.5400	£1.2600	£3.1500	£4.6000	£4.3250	£6.100
Expected volatility (notes (i) to (v))	38.8%	40.0%	35.0%	49.9%	48.4%	46.6%	36.0%
Risk-free interest rate	4.766%	5.098%	4.700%	3.340%	3.360%	3.130%	3.160%
Expected life of options	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	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, 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.

(v) For share options granted on 20 December 2013, the volatility of the underlying stock during the life of the options is estimated with reference to the volatility of Company seven years prior to the issuance of share options.

14 Share capital (Continued)

(b) Share option schemes (Continued)

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

The following share options were outstanding under the HMHL Share Option Scheme as at 30 June 2014:

Category of participants	Effective date of grant of share options (note(i))	Exercise period of share options	Exercise price of share options	Number of shares subject to the options
Employees in aggregate	6 August 2008	From 6 August 2008 to 5 August 2014	US$1.28	52,000
	5 October 2009	From 5 October 2009 to 4 October 2015	US$1.52	50,000
	2 August 2010	From 2 August 2010 to 1 August 2016	US$2.24	25,000
	18 April 2011	From 18 April 2011 to 17 April 2017	US$2.36	31,288
				158,288

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

	2014		2013	
	Weighted average exercise price in US$ per share	Number of options	Weighted average exercise price in US$ per share	Number of options
As at 1 January	2.03	538,420	1.87	3,144,505
Lapsed	2.16	(380,132)	2.11	(105,940)
As at 30 June	1.72	158,288	1.87	3,038,565

14 Share capital (Continued)

(b) Share option schemes (Continued)

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

Notes:

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

(ii) As at 30 June 2014, the fair value of share options in connection with the 158,288 share options outstanding as at the same date remain unvested was US$22,000. 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 2014 amounted to US$37,000 (30 June 2013: US$89,000).

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	2 August 2010	18 April 2011
Value of each share option	US$0.034	US$0.027	US$0.258	US$0.923
Significant inputs into the valuation model:				
Exercise price	US$1.280	US$1.520	US$2.240	US$2.360
Share price at effective grant date	US$0.270	US$0.261	US$1.030	US$2.048
Expected volatility (note)	53%	53%	49%	55%
Risk-free interest rate	3.293%	2.564%	2.007%	2.439%
Expected life of options	4.6 to 5.8 years	6 years	6 years	6 years
Expected dividend yield	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.

Notes To The Condensed Interim Accounts

15 Trade payables

	30 June 2014 US$'000	31 December 2013 US$'000
Trade payables to third parties	14,431	1,811
Trade payables to a related party (Note 19(b))	2,279	2,352
	16,710	4,163

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

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

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

16 Bank borrowings

Bank loan of US$26,923,000 is unsecured, interest bearing, denominated in HK$ and will mature in December 2014 (the "term loan"). It is included in current bank borrowing as at 31 December 2013 and is guaranteed by Hutchison Whampoa Limited, the ultimate holding company of the Company. The carrying amount of the bank loan approximates its fair value.

During the six months ended 30 June 2014, the Group had completed the arrangement to refinance the term loan by a new facility that will mature in 2018 with the same lender. As the Group has the ability and intent to refinance this term loan, management had classified the term loan under non-current liability as at 30 June 2014.

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

17 Convertible preference shares

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

Notes To The Condensed Interim Accounts

18 Notes to condensed consolidated statement of cash flows

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

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Profit for the period	8,120	3,961
Adjustments for:		
Taxation charge	1,300	711
Share-based compensation expenses	476	211
Amortisation of leasehold land	19	18
Amortisation of intangible assets	12	-
Write-off of inventories	22	-
Provision for inventories	99	148
Provision for trade receivables	18	-
Depreciation of property, plant and equipment	529	527
Loss on disposal of property, plant and equipment	15	1
Interest income	(187)	(201)
Finance costs	744	726
Share of profits less losses after tax of joint ventures	(13,093)	(11,778)
Exchange differences	189	146
Operating loss before working capital changes	(1,737)	(5,530)
Changes in working capital:		
- decrease in inventories	410	246
- decrease/(increase) in trade receivables	8,012	(4,045)
- decrease in other receivables and prepayments	1,336	638
- decrease in trade payables	(1,547)	(1,229)
- (decrease)/increase in other payables, accruals and advance receipts	(3,911)	8
- increase in amount due to immediate holding company	395	223
- decrease/(increase) in amount due from related parties	283	(1,563)
- decrease in amount due to a related party	-	(86)
Net cash generated from/(used in) operations	3,241	(11,338)
Attributable to:		
Continuing operations	726	(10,702)
Discontinued operations	2,515	(636)
	3,241	(11,338)

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

(b) Acquisition of a subsidiary

In April 2014, the Group has invested approximately US$9,597,000 in cash for the subscription of 51% equity interests in the enlarged share capital of Hutchison Sinopharm. The purpose of Hutchison Sinopharm is to provide sales, distribution, and marketing services to major domestic and multi-national third party pharmaceutical manufacturers. It will also provide a broadened sales and marketing platform for synergy across the Group.

The following table summarises the amount invested in Hutchison Sinopharm and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date

	US$'000
Capital injection	9,597

Fair value	US$'000
Cash and cash equivalents	10,286
Property, plant and equipment	69
Intangible asset (note (i))	708
Deferred tax assets	100
Inventories	3,208
Trade and other receivables	21,105
Trade and other payables	(14,827)
Current tax liabilities	(105)
Deferred tax liabilities	(198)
Borrowings	(4,769)
Non-controlling interest (note(ii))	(7,526)
Total identifiable net assets	8,051
Goodwill arising on acquisition (note (iii))	1,546
	9,597

Note:

(i) The fair value of the intangible asset represents the Good Supply Practices license.

(ii) The non-controlling interest is measured at the proportion of net assets acquired shared by the non-controlling interest.

(iii) Goodwill of US$1,546,000 arising from this acquisition is from the premium attributable to a pre-existing, well positioned business in a competitive market. This goodwill is recorded at the consolidation level and is not expected to be deductible for tax purposes.

(iv) Hutchison Sinopharm contributed revenue of US$12,841,000 and net profit of US$57,000 to the Group for the period from 25 April 2014 to 30 June 2014. If the acquisition has occurred on 1 January 2014, the consolidated revenue and consolidated profit attributed by Hutchison Sinopharm for the six months ended 30 June 2014 would have been US$33,647,000 and US$138,000 respectively.

(v) Acquisition related costs of approximately US$23,000 have been charged to income statement during the period.

Notes To The Condensed Interim Accounts

19 Significant related party transactions

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

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
(a) Transactions with related parties:		
Sales of goods to		
- Fellow subsidiaries	3,969	3,393
Provision of research & development services to		
- A joint venture	2,463	1,929
Purchase of goods from		
- A non-controlling shareholder of a subsidiary	3,101	3,010
- Joint ventures	582	-
	3,683	3,010
Rendering of marketing services from		
- Fellow subsidiaries	296	211
Management service fee to		
- An intermediate holding company	495	475
Guarantee fee on bank loan to		
- The ultimate holding company	234	234
Interest expenses on amounts due to		
- Immediate holding company	52	41

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

Notes To The Condensed Interim Accounts

19 Significant related party transactions (Continued)

	30 June 2014 US$'000	31 December 2013 US$'000
(b) Balances with related parties included in:		
Amounts due from related parties:		
- The ultimate holding company (note (i))	90	88
- A fellow subsidiary (note (i))	110	89
- Joint ventures (note (i))	1,502	1,808
	1,702	1,985
Trade receivables from related parties:		
- Fellow subsidiaries (note (i))	1,455	2,986
Joint venture		
- Loan to a joint venture (ii)	5,000	-
Trade payable due to a related party:		
- A non-controlling shareholder of a subsidiary (note (i))	2,279	2,352
Amounts due to a related party:		
- Immediate holding company (note (iii))	7,769	7,374
Non-controlling shareholders:		
- Loans from non-controlling shareholders of subsidiaries (note (iv))	3,129	5,379

Notes

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

(ii) Loan to a joint venture is unsecured, interest-free and is recorded in investment in joint ventures.

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

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