**Client:** Chi Med
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## Property play at Hutchison China Meditech

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Following the introduction of International Reporting Standard IFRS 11, the latest results from As in previous periods, all the profit has come from the China healthcare division. That was, in part, thanks to strong demand for cardiovascular prescription drugs and antiviral over the counter pills. In contrast, the game-changing botanical-based drugs division reported a slightly higher loss, even though revenues rocketed, thanks to receipt of several milestone payments from big pharma.

However, the big news is behind the headlines. For starters, a lot of progress has clearly been made on several drug candidates. A joint venture drug with Nestle for treating ulcerative colitis is now in phase II trials, while another wholly-owned drug for treating multiple cancer tumours is not only in phase II trials, but phase III studies start this autumn.

Clearly, drug trials are expensive. So where will more money come from? One answer is to move joint venture healthcare manufacturing out of the centre of Shanghai and Guangzhou. The sale proceeds will cover new plant relocations and total gains (after the state takes 40 per cent) could be significant.

Following significant upgrades, broker Panmure Gordon forecasts 2013 earnings of 9.8, rising to 17.3 in 2014.
HUTCHINSON CHINA MEDITECH (HCM) ORD PRICE:510pMARKET VALUE:265m TOUCH:505-515p12-MONTH HIGH:582pLOW: 353p DIVIDEND YIELD:nilPE RATIO:48 NET ASSET VALUE:163NET DEBT:8% Half-year to 30 JunTurnover ($m)Pre-tax profit ($m)Earnings per share ()Dividend per share () 201210.14.815.91nil 201317.66.659.00nil % change+74+38+52- Aim: Pharmaceuticals 1:US$1.535
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