Client: Chi Med
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Chi-Med profits jump

Hutchison China MediTech's revenue from continuing operations jumped by 106% to $46.0m in 2013, not including sales at the JV level which totalled $390.6m (2012: $345.3m).

Operating profits rose by 65% to $9.6m (2012: $5.8m) including a non-recurring charge of $2.0m and net profits attributable to Chi-Med equity holders increased by 63% to $5.9m.

Chief executive Christian Hogg said: "Chi-Med has had a highly successful 2013. We have propelled our revenues and profit, and the drivers of this success are set to continue. "Our drug R&D division has taken a major step forward by signing a new licensing deal with Eli Lilly and cementing its collaboration with Janssen to add to those it already has with AstraZeneca and Nestlé Health Science.

"Its revenues have increased sharply due to payments from these partners. It has significantly progressed its six clinical stage drug candidates either reaching, or closing in on, proof-of-concept. We have spent over $30m on clinical trials in 2013, with our partners funding the great majority of these clinical costs. Several of our compounds in clinical development showed impressive results in 2013 - in two cases for treatment of certain tumour types, for which there are few, if any, treatment options approved on the global market.

"By the end of 2013, Chi-Med had received $72m of upfront and milestone payments and equity injections from our four partners. Looking ahead, this cash flow should escalate. In addition to funding the vast majority of clinical costs on our partnered drug candidates, our partners will contribute, subject to clinical success, up to approximately $1.2bn in development, approval, and commercial milestones and option payments, as well as customary royalties on net sales.

"Our China healthcare division continues to grow rapidly with net profit attributable to Chi-Med equity holders up 20% in 2013, again demonstrating the major potential in the China pharmaceutical market. Its sales and profitability are now benefiting from the normalisation of raw material prices and, this year, we hope to start crystallising the value in our manufacturing property portfolio.

"To take advantage of the opportunity for Chi-Med to provide sales, distribution and marketing services to major Chinese and multi-national third party pharmaceutical manufacturers as well as our own drug R&D division, we have formed a joint venture with Sinopharm.

"Our consumer products division grew sales 23%, driven by the progress of Hutchison Hain Organic, while Sen France and aspects of our China infant formula businesses have been discontinued."

Hogg says trading has started well this year and sales and profit in the China healthcare division are well ahead of 2013 levels, as a result of effective execution and continued normalisation of raw material costs.

Hogg added: "We expect 2014 to be a breakout year for our Drug R&D Division as we publish clinical data on Volitinib, Fruquintinib and Sulfatinib, in each case outlining next stage clinical plans. On HMPL-004 we will reach our Interim Analysis on NATRUL-3, our Phase III induction study, and publish status in mid-2014. We expect also to start Phase I trials on our spleen tyrosine kinase ("Syk") inhibitor for inflammation in Australia, which would elevate the profile of this very high potential programme.

"Our consumer products division's continuing operations have started well and we expect the refocused

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operations to be profitable this year.

"The opportunities facing us are very considerable and we believe we will deliver further substantial shareholder value this year and beyond."
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