

Chairman's Statement

I am pleased to report on another year of considerable progress across Chi-Med's businesses.

Simon To
Chairman



Sales* (US\$ million)



Net Loss (US\$ million)



* on continuing operations

Sales, on a continuing operations basis, of the Group grew 29% to \$65.1 million (2006: \$50.4 million) primarily following strong China Healthcare Division performance. Total consolidated sales of the Group for 2007 were \$69.7 million (2006: \$57.5 million). Net loss attributable to Chi-Med equity holders grew to -\$17.2 million (2006: -\$9.6 million) behind our increases in R&D and consumer products investment, and a non-recurring loss from discontinuing the product line of the Nao Ling Tong memory supplement ("NLT").

Strategic Overview

Chi-Med was created by Hutchison Whampoa Limited ("Hutchison Whampoa") to apply modern science and business practice to traditional Chinese medicine ("TCM"), in order to realise the substantial potential of novel TCM-based products, both for the China and the global pharmaceutical and consumer products markets. Chi-Med's intention is to build a unique and well-balanced portfolio of businesses that enable us to manage both the pace of growth and the risks associated with it.

\$12.4 m **+29%**

Cash spent in Research & Development (2006: \$6.7 million)

Organic sales growth of existing operations



China Healthcare Division - We see particularly strong opportunity in the China Healthcare area and due to our range of fast growth and profitable products can target to maintain organic growth rates of over 20% for the foreseeable future.

The Group's China Healthcare strategy is to combine organic growth with acquisition. A key strength of our business is the infrastructure, reputation, experience and depth of connections of Hutchison Whampoa in China, all of which we leverage and which provides significant support in identifying potential, value creating acquisitions and joint ventures (collectively "acquisitions"). We are currently engaged in due diligence on multiple projects and hopeful to begin completing such acquisitions during the current financial year.

Drug R&D Division - TCM, with its botanical origins, has demonstrated its efficacy and safety under scientific scrutiny over several decades. We see it as a major and substantially untapped reservoir of novel drugs for the global pharmaceutical market. Our Drug R&D Division is dedicated to using the highest standards of modern science to identify and develop both botanical substances and small molecule compounds derived from TCM, which can deliver new treatments, especially in the areas of oncology and auto-immune diseases.

The validation of our drug research and development business, reflected by the Eli Lilly and Company ("Eli Lilly") deal, our existing partnerships with Merck KGaA and Procter & Gamble,

and the successful Phase II proof-of-concept ("POC") result on HMPL-004, gives us great confidence that we have a first-in-class operation with very high potential that justifies the accelerated investment that we expect to make in 2008.

Consumer Products Division - With our Sen business, we have always stated that one route to accelerate growth is to leverage synergy with Hutchison Whampoa's global chain of over 7,800 health and beauty shops, 1,600 of which are luxury focused and consistent with the Sen brand image. We believe this will be transformational for our consumer products division.

Chairman's Statement



Corporate Governance

We continue to maintain high standards of corporate governance with the objective of building the long-term interests of the Company and maximising returns to stakeholders.

During 2007 the Chi-Med Board remained largely unchanged apart from the departure of Mr Stephen Yeung. I would like to take this opportunity to thank Stephen for his involvement as a Non-executive Director over the past years and wish him well in his retirement. As a group, our Independent Non-executive Directors bring a wealth of knowledge on AIM and growth businesses; corporate governance; and pharmaceutical research and development. They are making a valuable contribution to the evolution of Chi-Med and I very much appreciate their involvement and wish to thank them all for their efforts.

Dividend

Over the coming years, Chi-Med will continue making significant investments in its businesses, in which we see substantial opportunity to create superior shareholder value. For this reason, the Board has decided not to recommend a dividend for the year ended 31 December 2007.

The progress that has been made on the Chi-Med business is the result of the quality and commitment of our strong management team and all our employees and partners. My thanks and deep appreciation go to them all.

Simon To
Chairman

17 March 2008