CHAIRMAN'S STATEMENT

The vision of Chi-Med is to become a leading global biopharmaceutical company based in China. We intend to achieve this by leveraging our Innovation Platform to provide differentiated products in the global targeted therapy arena in oncology and immunology. Chi-Med has set out to build a broad portfolio of highly selective drug candidates against multiple novel and validated molecular targets. It is intended that the use of these drug candidates as monotherapies, or in combinations or rotations of treatment with other therapies, have the potential to greatly improve patient outcomes and therefore build shareholder value. Our key areas of strategic focus include:

Designing drug candidates against novel but well-characterized targets with global first-in-class potential – The largest market opportunity is to develop innovative drug therapies that have global first-in-class potential in areas of high unmet needs. Chi-Med focuses on identifying novel but well-characterized kinase targets (proteins or enzymes) associated with the pathogenesis of cancer or inflammation, such as c-Met and Syk. A chemistry-focused approach is then used to engineer innovative, highly selective drug candidates against these targets. These innovative drugs have the chance to be the first drug approved worldwide against the specific novel molecular target.

Focusing research and development efforts on kinase selectivity to generate global best-in-class product – Risk is balanced in research and development activities by also focusing on drug candidates against validated targets, including VEGFR and EGFR, for which competitive drugs have already been approved. The objective of this research is to develop next generation compounds, characterized by both high selectivity and superior pharmacokinetic properties. This provides us with a chance to become the best-in-class drug candidate, against its specific already validated target, clinically superior in terms of safety and/or efficacy to the first-in-class standard of care.

Continuing to invest in the fully integrated Innovation Platform – The creation of high quality drug candidates takes time, a stable and high quality discovery organization and significant financial resources. Chi-Med has built its position as a leading China-based innovator in oncology and immunology through continuous efforts and investments over the last 14 years, and has led to the creation of our seven clinical and two late-stage pre-clinical drug candidates, HMPL-453 targeting FGFR and HMPL-689 targeting PI3Kδ.

Pursuing a practical and efficient clinical and regulatory strategy – The China FDA is highly supportive of clinical trials for drug candidates that can address large unmet medical needs. China's large patient population, combined with relatively lower clinical trial costs as compared to the U.S. and Europe, allows for rapid enrollment of patients in clinical trials in a cost-effective manner, resulting in more efficient proof-of-concept. Subject to achieving proof-of-concept in our China studies, Chi-Med can then move to initiate the higher cost, mid- to late-stage global studies both independently as well as with partners.

Maximizing economic interest in our drug candidates through in-house development and later-stage strategic partnerships – Our existing strategic partnerships with global pharmaceutical companies have brought Chi-Med significant technical expertise and global clinical, regulatory and commercial reach, as well as a necessary source of funding during the early-stage development of the company. Now, looking forward to potential collaborations on our un-partnered drug candidates, Chi-Med will either go-it-alone or structure future deals in a more risk-sharing manner in order to retain a higher proportion of the economic benefits.

Leveraging and expanding our Commercial Platform – While the majority of the resources and available capital of Chi-Med are focused on our Innovation Platform, the Commercial Platform and its sales and marketing infrastructure will continue to expand. We also intend to build an oncology focused sales team under the Prescription Drugs business to commercialize drugs successfully developed by our Innovation Platform in China. Outside of China, products will be commercialized, if approved, in the U.S., Europe and other major markets by Chi-Med and/or through partnerships with leading biopharmaceutical companies.

Financial Review

Chi-Med Group revenues from continuing operations in 2015 were up 104% to $178.2 million (2014: $87.3m), driven mainly by a full period of consolidation of Hutchison Sinopharm, which began operations in Q2 2014. It should be noted that Group revenues do not include the revenues of our two main large-scale 50/50 JVs in China, SHPL and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS"), which are accounted for using the equity method.

Our Commercial Platform, which continues to be Chi-Med's primary profit and cash source, grew operating profit from continuing operations by 11% to $28.2 million (2014: $25.5m). The Innovation Platform reduced operating losses significantly, by 83%, to $3.8 million (2014: -$22.2m) despite a major step-up of clinical activities on both our partnered and wholly-owned drug candidates as well as a major organizational expansion to support these clinical activities. We have also increased investment in our new oncology drug manufacturing operation in Suzhou, which, in the first half of 2015, successfully produced its first batches of fruquintinib for use in Phase III clinical trials.

Net administrative expenses incurred by our corporate head office, primarily Chi-Med Group overheads and running costs, increased significantly to $11.0 million (2014: $6.6m) driven primarily by $3.1 million of one-off costs associated with preparing for our proposed Nasdaq dual-listing.

Consequently, Chi-Med Group operating profit from continuing operations was $13.4 million (2014: operating loss -$3.3m).

Total interest, tax and profit attributable to non-controlling interests from continuing operations during the period were $5.4 million (2014: $5.0m).

Overall, net profit from continuing operations attributable to Chi-Med was $8.0 million (2014: net loss -$8.3m).

In 2014, the Commercial Platform received an arbitration award in relation to a contract dispute with a supplier of infant formula. This led to a one-time gain and consequent total net profit attributable to Chi-Med on discontinued operations in 2014 of $1.0 million, as compared to nil in 2015.

The resulting total Group net profit attributable to Chi-Med was therefore $8.0 million (2014: net loss -$7.3m).

Change to U.S. GAAP from International Financial Reporting Standards ("IFRS") – As previously announced in late 2015, the Company has changed the basis of preparation of the consolidated financial statements of the Group, and the adopted financial reporting standards, from IFRS to U.S. GAAP. Differences between IFRS and U.S. GAAP which have had a significant impact on the historical consolidated financial statements published in prior years under IFRS include the following two main differences:

(1) Revenue recognition of upfront and milestone payments received from the license and collaboration agreements – Under IFRS, the Group applied the percentage of completion method to recognize revenue from its license and collaboration agreements in each financial period. Under U.S. GAAP, there is prescriptive guidance on multiple element arrangements and specific guidance on accounting for arrangements with milestone payments. Under U.S. GAAP, substantive milestone payments are recorded in their entirety when the milestone is achieved. As a result, the timing of recognition for certain upfront and milestone payments under IFRS and U.S. GAAP are different, resulting in different allocations of such payments to different accounting periods.

(2) Accounting treatment of the redeemable convertible preferred shares – Under IFRS, the Group classified the redeemable convertible preferred shares issued by its subsidiary as non-controlling interests within equity. Under U.S. GAAP, the Group is required to classify these redeemable convertible preferred shares as mezzanine equity and to account for the accretion to the redemption amount when it is probable that the preferred shares will be redeemed.

Mitsui accretion – In July 2015, we completed a transaction, the Roll-up, with Mitsui under which Chi-Med issued 3,214,404 new ordinary shares (5.69% of the enlarged share capital of Chi-Med) valued at $84.0 million in exchange for Mitsui's 12.24% shareholding in HMHL convertible preferred shares. This valued HMHL at $686 million, equivalent to 46.5% of Chi-Med at the time of Roll-up.

The HMHL preferred shares were redeemable (i.e. Chi-Med could be forced to buy them back) upon HMHL valuation reaching over $190 million, and as a result they were accounted for as redeemable non-controlling interests outside of permanent equity in the Chi-Med consolidated balance sheets before the completion of the Roll-up. At such time that it became probable that the preferred shares would become redeemable, under U.S. GAAP, Chi-Med was required to record a non-cash accretion equivalent to the estimated increase in the value of the Mitsui shareholding (i.e. effectively Chi-Med's theoretical liability). As a result, in 2015, up to the date of completion of the Roll-up, HMHL had recorded an accretion of $43.0 million (2014:

$25.5m) to the preferred shares based on such preferred shareholder's share of the estimated valuation of HMHL.

These non-cash accounting entry accretions increased the carrying value of the redeemable non-controlling interests and accretions made before the completion of the Roll-up were recorded against 2015 additional paid-in capital. As a result, Group net loss attributable to ordinary shareholders of Chi-Med from continuing operations was $35.0 million, compared to $33.8 million in 2014, with loss per share in 2015 of 64.0 US cents, unchanged versus 2014.

Importantly, the Roll-up eradicated both the significant, and potentially inconveniently timed, drain on Chi-Med cash needed to buy back these HMHL shares as well as the distortion caused to Chi-Med Group earnings per share by making non-cash accounting entry accretions equivalent to the estimated increase in the value of the Mitsui shares. All in all the Roll-up eradicated the impact of these preferred shares in an efficient manner and at a price that was attractive to Chi-Med.

Cash and Financing

Since our initial public offering on the AIM market of the London Stock Exchange in 2006, Chi-Med has, in general, used the steady flow of dividends from our Commercial Platform combined with service fee and milestone payments from the four main Innovation Platform partners to fund our research and development activities. Bank borrowing has also been utilized to bridge between these cash injections.

With the acceleration and broadening of the late-stage clinical pipeline this year, the Chi-Med board now believes it is important to access the U.S. equity capital markets. Furthermore, during 2016 detailed clinical results on many drug candidates, namely savolitinib, fruquintinib, sulfatinib, epitinib and HMPL-523 are expected to be published. Given this, Nasdaq provides the right long-term platform for Chi-Med, as it opens up a new and deep universe of biopharmaceutical investors and analysts that are well positioned to understand both the science behind our drug candidates and their clinical results and therefore support late-stage development of the pipeline.

At the Chi-Med Group level, cash and cash equivalents as at 31 December 2015 totaled $31.9 million (31 December 2014: $38.9m), outstanding bank loans amounted to $50.0 million (31 December 2014: $53.2m), of which $26.9 million is guaranteed by Hutchison Whampoa Limited, a wholly owned subsidiary of CK Hutchison, and un-utilized bank loan facilities totaled $6.9 million (31 December 2014: $8.5m).

In February 2016, Chi-Med established additional new credit facilities with Bank of America Merrill Lynch and Deutsche Bank totaling an aggregate amount of $60.0 million. These facilities are unsecured, with a range of 12 and 18 month terms, and were established in order to give Chi-Med additional flexibility in the context of execution of the proposed Nasdaq listing. Total Chi-Med Group weighted average cost of borrowing on all loans, including all interest and guarantee fees, was 2.4% as of 31 December 2015.

At the JV level, under U.S. GAAP, the three JVs (SHPL, HBYS and NSP), which are all 50/50 JVs, are accounted for on an equity accounting basis. The substantial JV cash and cash equivalents are therefore not separately reflected at the Chi-Med Group level. Overall, cash and cash equivalents at the JV level as at 31 December 2015 totaled $76.9 million (31 December 2014: $53.8m), with outstanding bank loans of $26.5 million (31 December 2014: $22.6m).

These JVs have a long track-record of paying dividends with a total of $143.4 million, out of retained profits of $287.0 million, paid to Chi-Med and its partners between 2005 and 2015. In 2015 the JVs paid out $6.4 million (2014: $15.9 million) which was lower than normal, as they went through the final, and also peak, capital expenditure phase of the construction of the two new factories. Looking forward, Chi-Med expects to begin receiving extraordinary dividends, to the Group level, from SHPL and HBYS associated with the considerable compensation, at the JV level, for the surrender of the land-use rights to the sites of the old JV factories in Shanghai and Guangzhou.

In summary, as of today, Chi-Med has available cash at the Group level of over $90 million, including cash and cash equivalents and unutilized banking facilities. This does not include dividends from the JVs anticipated during the balance of 2016, which we expect to be material given extraordinary income from property compensation.

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.

Outlook

With a high potential clinical pipeline, an efficient and highly productive discovery operation and a powerful, profitable, growing commercial and distribution infrastructure, we believe Chi-Med is uniquely positioned to contribute to healthcare both in China and globally and to generate significant shareholder value this year and beyond.

Simon To
Chairman, 29 February 2016

Important information

This announcement, which includes the appendices to it, does not constitute a registration statement on Form F-1 and does not constitute or form, and will not form, part of any offer or invitation to sell or issue, or the solicitation of an offer to purchase or acquire, any of the Ordinary Shares or ADSs or any other securities in the United States or in any other jurisdiction. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended ("U.S. Securities Act"). Any potential public offering of securities to be made in the United States will be made by means of a Form F-1 Registration Statement that has been declared effective by the SEC. The Form F-1 Registration Statement contains detailed information about the issuer and its management and financial statements. This announcement is being issued pursuant to and in accordance with Rule 135e under the U.S. Securities Act.

No money, securities or other consideration is being solicited, and, if sent in response to the information contained in this announcement, will not be accepted.

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Forward-looking statements

This announcement, which includes the appendices to it, may contain forward-looking statements that reflect Chi-Med's current expectations regarding future events. A list and description of risks, uncertainties and other risks associated with an investment in Chi-Med can be found in Chi-Med's filings with the SEC, including the Form F-1 Registration Statement. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Chi-Med undertakes no obligation to update or revise the information contained in this announcement, whether as a result of new information, future events or circumstances or otherwise.