

Hutchison China MediTech Limited
Consolidated Balance Sheets
(in US\$'000)

	December 31,	
	2015	2014
Assets		
Current assets		
Cash and cash equivalents	31,941	38,946
Short-term investments	-	12,179
Accounts receivable – third parties	33,346	22,724
Accounts receivable – related parties	1,869	2,184
Other receivables, prepayments and deposits	3,413	3,016
Amounts due from related parties	9,293	6,283
Inventories	9,555	4,405
Deferred tax assets	250	105
Total current assets	89,667	89,842
Property, plant and equipment, net	8,507	7,482
Leasehold land	1,343	1,436
Goodwill	3,332	3,430
Other intangible asset	571	666
Long-term prepayment	2,132	-
Deferred costs for initial public offering in the United States	4,446	-
Investments in equity investees	119,756	107,978
Total assets	229,754	210,834
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable – third parties	20,565	18,237
Accounts payable – related parties	3,521	2,190
Other payables, accruals and advance receipts	26,177	17,159
Deferred revenue	1,171	2,394
Amounts due to related parties	6,243	8,716
Short-term bank borrowings	23,077	26,282
Deferred tax liabilities	308	321
Total current liabilities	81,062	75,299
Deferred tax liabilities	3,415	2,626
Long-term bank borrowings	26,923	26,923
Deferred revenue	3,498	4,182
Deferred income	2,132	-
Other non-current liabilities	10,447	3,853
Total liabilities	127,477	112,883
Redeemable non-controlling interests	-	41,036
Company's shareholders' equity		
Ordinary shares; \$1.00 par value; 75,000,000 shares authorized; 56,533,118 and 53,076,676 shares issued at December 31, 2015 and 2014	56,533	53,076
Additional paid-in capital	113,848	76,256
Accumulated losses	(92,040)	(100,051)
Accumulated other comprehensive income	5,015	9,870
Total Company's shareholders' equity	83,356	39,151
Non-controlling interests	18,921	17,764
Total shareholders' equity	102,277	56,915
Total liabilities and shareholders' equity	229,754	210,834

Hutchison China MediTech Limited
Consolidated Statements of Operations
(in US\$'000, except share and per share data)

	Years Ended December 31,	
	2015	2014
Revenues		
Sales of goods – third parties	118,113	59,162
Sales of goods – related parties	8,074	7,823
Revenue from license and collaboration agreements – third parties	44,060	12,336
Revenue from research and development services – third parties	2,573	3,696
Revenue from research and development services – related parties	5,383	4,312
Total revenues	178,203	87,329
Operating expenses		
Costs of sales of goods – third parties	(104,859)	(53,477)
Costs of sales of goods – related parties	(5,918)	(5,372)
Research and development expenses	(47,368)	(29,914)
Selling expenses	(10,209)	(4,112)
Administrative expenses	(19,620)	(12,713)
Total operating expenses	(187,974)	(105,588)
Loss from operations	(9,771)	(18,259)
Other (expense)/income		
Interest income	451	559
Other income	386	20
Interest expense	(1,404)	(1,516)
Other expense	(202)	(761)
Total other (expense)/ income	(769)	(1,698)
Loss before income taxes and equity in earnings of equity investees	(10,540)	(19,957)
Income tax expense	(1,605)	(1,343)
Equity in earnings of equity investees, net of tax	22,572	15,180
Net income/(loss) from continuing operations	10,427	(6,120)
Income from discontinued operations, net of tax	-	2,034
Net income/(loss)	10,427	(4,086)
Less: Net income attributable to non-controlling interests	(2,434)	(3,220)
Net income/(loss) attributable to the Company	7,993	(7,306)
Accretion on redeemable non-controlling interests	(43,001)	(25,510)
Net loss attributable to ordinary shareholders of the Company	(35,008)	(32,816)
(Losses)/earnings per share attributable to ordinary shareholders of the Company – basic and diluted (US\$ per share)		
Continuing operations	(0.64)	(0.64)
Discontinued operations	-	0.02
Number of shares used in per share calculation – basic and diluted	54,659,315	52,563,387

Hutchison China MediTech Limited
Consolidated Statements of Comprehensive Income
(in US\$'000)

	Years Ended December 31,	
	2015	2014
Net income/(loss)	10,427	(4,086)
Other comprehensive loss		
Foreign currency translation loss	(5,557)	(2,712)
Total Comprehensive income/(loss)	4,870	(6,798)
Less: Comprehensive income attributable to non-controlling interests	(1,732)	(2,944)
Total Comprehensive income/(loss) attributable to the Company	3,138	(9,742)

Hutchison China MediTech Limited
Consolidated Statements of Changes in Shareholders' Equity
(in US\$'000, except share and per share data)

	Ordinary Number	Shares Amount	Additional Paid-in Capital	Accumulated Losses	Accumulated Other Comprehensive Income	Total Company's Shareholders' Equity	Non- controlling Interests	Total Equity
As of December 31, 2013	52,051	52,051	99,361	(92,575)	12,310	71,147	6,960	78,107
Net (loss)/income	-	-	-	(7,306)	-	(7,306)	3,220	(4,086)
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	9,003	9,003
Purchase of additional interest in a subsidiary of an equity investee	-	-	-	(234)	-	(234)	-	(234)
Issuance of ordinary shares in relation to exercise of share options	1,025	1,025	1,655	-	-	2,680	-	2,680
Share-based compensation-Share options	-	-	725	-	-	725	-	725
Foreign currency translation adjustments	-	-	-	-	(2,436)	(2,436)	(276)	(2,712)
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	(1,179)	(1,179)
Transfer between reserves	-	-	25	(25)	-	-	-	-
Dilution of interests in a subsidiary in relation to exercise of share options of a subsidiary	-	-	-	89	(4)	85	36	121
Accretion to redemption value of redeemable non-controlling interests	-	-	(25,510)	-	-	(25,510)	-	(25,510)
As of December 31, 2014	53,076	53,076	76,256	(100,051)	9,870	39,151	17,764	56,915
Net income	-	-	-	7,993	-	7,993	2,434	10,427
Issuance of ordinary shares in relation to exercise of share options	243	243	1,131	-	-	1,374	-	1,374
Issuance of ordinary shares in exchange of redeemable non-controlling interest	3,214	3,214	80,823	-	-	84,037	-	84,037
Share-based compensation								
Share options	-	-	168	-	-	168	-	168
Long-term incentive plan	-	-	233	-	-	233	-	233
	-	-	401	-	-	401	-	401
Long-term incentive plan-treasury shares held by Trustee	-	-	(1,786)	-	-	(1,786)	-	(1,786)
Foreign currency translation adjustments	-	-	-	-	(4,855)	(4,855)	(702)	(5,557)
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	(590)	(590)
Transfer between reserves	-	-	24	(24)	-	-	-	-
Dilution of interests in a subsidiary in relation to exercise of share options of a subsidiary	-	-	-	42	-	42	15	57
Accretion to redemption value of redeemable non-controlling interests	-	-	(43,001)	-	-	(43,001)	-	(43,001)
As of December 31, 2015	56,533	56,533	113,848	(92,040)	5,015	83,356	18,921	102,277

Hutchison China MediTech Limited
Consolidated Statements of Cash Flows
(in US\$'000)

	Years Ended December 31,	
	2015	2014
Operating activities		
Net income/(loss)	10,427	(4,086)
Adjustments to reconcile net income/(loss) to net cash (used in)/generated from operating activities		
Depreciation and amortization	2,015	1,265
Loss on retirement of property, plant and equipment	60	36
Inventories written off	12	147
Provision for excess and obsolete inventories	25	15
Decrease in provision for excess and obsolete inventories due to sale of inventories	(33)	(106)
Allowance for doubtful accounts	1,408	185
Share-based compensation expense – share options	1,151	1,065
Share-based compensation expense – long-term incentive plan	308	-
Equity in earnings of equity investees	(22,572)	(15,180)
Dividend received from equity investees	6,410	15,949
Foreign currency gain	198	173
Income taxes	1,093	497
Changes in operating assets and liabilities		
Accounts receivable – third parties	(12,340)	8,285
Accounts receivable – related parties	315	1,754
Other receivables, prepayments and deposits	(397)	454
Amounts due from related parties	(3,010)	(5,029)
Inventories	(5,154)	167
Long-term prepayment	(2,132)	-
Accounts payable – third parties	2,328	2,332
Accounts payable – related parties	1,331	(162)
Other payables, accruals and advance receipts	4,660	(47)
Deferred revenue	(1,907)	(697)
Deferred income	2,132	-
Amounts due to related parties	3,977	1,342
Net cash (used in)/generated from operating activities	<u>(9,385)</u>	<u>8,359</u>
Investing activities		
Acquisition of a subsidiary, net of cash acquired	-	689
Purchases of property, plant and equipment	(3,324)	(3,729)
Deposit in short-term investments	12,179	(12,179)
Net cash generated from/(used in) investing activities	<u>8,855</u>	<u>(15,219)</u>
Financing activities		
Proceeds from issuance of ordinary shares	1,374	2,680
Proceeds from exercise of share options of a subsidiary	57	121
Purchases of treasury shares	(1,786)	-
Dividends paid to a non-controlling shareholder of a subsidiary	(590)	(1,179)
Capital contribution from redeemable non-controlling interests	-	3,059
Repayment of loan to a non-controlling shareholder of a subsidiary	-	(2,250)
Proceeds from bank borrowings	3,205	8,205
Repayment of bank borrowings	(6,410)	(11,277)
Payment for the deferred costs for initial public offering in the United States	(1,321)	-
Net cash used in from financing activities	<u>(5,471)</u>	<u>(641)</u>
Net decrease in cash and cash equivalents	(6,001)	(7,501)
Effect of exchange rate changes on cash and cash equivalents	(1,004)	(416)
	(7,005)	(7,917)
Cash and cash equivalents		
Cash and cash equivalents at beginning of year	<u>38,946</u>	<u>46,863</u>
Cash and cash equivalents at end of year	<u>31,941</u>	<u>38,946</u>
Supplemental disclosure for cash flow information		
Cash paid for interest	1,220	1,466
Cash paid for tax, net of refunds	510	908
Supplemental disclosure for non-cash activities		
Issuance of ordinary shares in exchange of redeemable non-controlling interests	84,037	-
Deferred costs for initial public offering in the United States incurred but not yet paid	3,125	-

Notes

1. Principles of Consolidation

The accompanying consolidated financial statements reflect the accounts of Hutchison China MediTech Limited (the “Company”) and all of its subsidiaries (together the “Group”) in which a controlling interest is maintained. Investments in equity investees over which the Group has significant influence are accounted for using the equity method. All inter-company balances and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America.

2. Segment reporting

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 Group determines the operating segments from both business and geographic perspectives as follows:

- (i) Innovation Platform (Drug research and development (“Drug R&D”)): focuses on discovering and developing innovative therapeutics in oncology and autoimmune diseases, and the provision of research and development services; and
- (ii) Commercial Platform: comprising of the manufacture, marketing and distribution of prescription and over-the-counter pharmaceuticals in the People’s Republic of China (the “PRC”) as well as certain health-related consumer products through Hong Kong. The Commercial Platform is further segregated into two core business areas:
 - (a) Prescription Drugs: comprises the development, manufacture, distribution, marketing and sale of prescription pharmaceuticals; and
 - (b) Consumer Health: comprises the development, manufacture, distribution, marketing and sale of over-the-counter pharmaceuticals and health-related consumer products.

Innovation Platform and Prescription Drugs business under the Commercial Platform are primarily located in the PRC. The locations for Consumer Health business under the Commercial Platform are further segregated into the PRC and Hong Kong.

The Group discontinued an operation in the PRC of the Consumer Health business under the Commercial Platform.

The performance of the reportable segments are assessed based on two measurements: (a) earnings or losses of subsidiaries before interest income, finance costs and tax expenses (“EBIT/(LBIT)”) and (b) equity in earnings of equity investees, net of tax.

The segment information for the reportable segments is as follows:

Continuing operations

As at and for the year ended December 31, 2015							
	Innovation Platform	Commercial Platform			Reportable segment	Unallocated	Total
	Drug R&D	Prescription Drugs	Consumer Health				
	PRC	PRC	PRC	Hong Kong			
	(in US\$'000)				Total		Total
Revenue from external customers	52,016	105,478	3,028	17,681	178,203	-	178,203
EBIT/(LBIT)	(119)	676	(169)	1,211	1,599	(11,186)	(9,587)
Interest income	79	114	29	1	223	228	451
Equity in earnings of equity investees, net of tax	(3,770)	15,653	10,689	-	22,572	-	22,572
Operating profit/(loss)	(3,810)	16,443	10,549	1,212	24,394	(10,958)	13,436
Finance costs	-	-	-	85	85	1,319	1,404
Additions to non-current assets (other than financial instrument and deferred tax assets)	3,218	88	5	4	3,315	9	3,324
Depreciation/amortization	1,864	94	11	5	1,974	41	2,015
Income tax expense	-	239	-	148	387	1,218	1,605

As at December 31, 2015							
	Innovation Platform	Commercial Platform			Reportable segment	Unallocated	Total
	Drug R&D	Prescription Drugs	Consumer Health				
	PRC	PRC	PRC	Hong Kong			
	(in US\$'000)				Total		Total
Total assets	49,545	97,572	66,552	8,651	222,320	7,434	229,754
Property, plant and equipment	8,312	122	27	7	8,468	39	8,507
Leasehold land	1,343	-	-	-	1,343	-	1,343
Goodwill	-	2,925	407	-	3,332	-	3,332
Intangible asset	-	571	-	-	571	-	571
Investments in equity investees	9,285	49,709	60,762	-	119,756	-	119,756

Continuing operations

As at and for the year ended December 31, 2014

	Innovation Platform	Commercial Platform			Reportable segment	Unallocated	Total
	Drug R&D	Prescription Drugs	Consumer Health				
	PRC	PRC	PRC	Hong Kong			
					Total		
							(in US\$'000)
Revenue from external customers	20,344	50,202	3,847	12,936	87,329	-	87,329
EBIT/(LBIT)	(13,817)	48	771	999	(11,999)	(7,001)	(19,000)
Interest income	33	68	12	3	116	443	559
Equity in earnings of equity investees, net of tax	(8,409)	13,201	10,388	-	15,180	-	15,180
Operating profit/(loss)	(22,193)	13,317	11,171	1,002	3,297	(6,558)	(3,261)
Finance costs	-	10	77	19	106	1,410	1,516
Additions to non-current assets (other than financial instrument and deferred tax assets)	3,671	915	24	2	4,612	6	4,618
Depreciation/amortization	1,145	65	6	7	1,223	42	1,265
Income tax expense	-	51	-	131	182	1,161	1,343

As at December 31, 2014

	Innovation Platform	Commercial Platform			Reportable segment	Unallocated	Total
	Drug R&D	Prescription Drugs	Consumer Health				
	PRC	PRC	PRC	Hong Kong			
					Total		
							(in US\$'000)
Total assets	43,061	68,650	70,731	7,050	189,492	21,342	210,834
Property, plant and equipment	7,305	62	36	8	7,411	71	7,482
Leasehold land	1,436	-	-	-	1,436	-	1,436
Goodwill	-	3,023	407	-	3,430	-	3,430
Intangible asset	-	666	-	-	666	-	666
Investments in equity investees	13,067	39,158	55,753	-	107,978	-	107,978

Segment information for discontinued operation has been disclosed in Note 3.

Revenue from external customers is after elimination of inter-segment sales. The amount eliminated attributable to (a) sales between Prescription Drugs business and Consumer Health business within the PRC of US\$1,187,000 and US\$271,000; (b) sales within Consumer Health business from Hong Kong to the PRC of US\$2,874,000 and US\$105,000 for the years ended December 31, 2015 and 2014.

Sales between segments are carried out at mutually agreed terms.

There was one customer under Innovation Platform who accounted for 23% of the Group's revenue for the year ended December 31, 2015. There was one customer under Innovation Platform who accounted for 13% of the Group's revenue for the year ended December 31, 2014.

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.

A reconciliation of EBIT/(LBIT) for reportable segments to net income/(loss) from continuing operations is provided as follows:

	2015	2014
	(in US\$'000)	
EBIT/(LBIT)	1,599	(11,999)
Unallocated expenses	(11,186)	(7,001)
Interest income	451	559
Equity in earnings of equity investees, net of tax	22,572	15,180
Finance costs	(1,404)	(1,516)
Income taxes	(1,605)	(1,343)
Net income/(loss) from continuing operations	<u>10,427</u>	<u>(6,120)</u>

3. Discontinued operations

In 2013, the Group discontinued an operation in the PRC, which was part of the Group's Consumer Health business under the Commercial Platform segment, as its performance was 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.

	2015	2014
	(in US\$'000)	
Sales of goods	-	-
Expenses	-	-
Other income (note)	-	2,096
Net income before taxation from discontinued operations	<u>-</u>	<u>2,096</u>
Income tax expense	-	(62)
Net income for the year from discontinued operations	<u>-</u>	<u>2,034</u>
Cash flow from discontinued operations		
Net cash generated from operating activities	<u>-</u>	<u>2,515</u>
Net increase in cash and cash equivalents	<u>-</u>	<u>2,515</u>

Note:

The income from the discontinued operations for the year ended December 31, 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 recorded in prior years.

4. (Losses)/Earnings per Share

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the net (loss)/income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Periodic accretion to redeemable convertible preferred shares ("Preferred Shares") of Hutchison MediPharma Holdings Limited ("HMHL") is recorded as deductions to consolidated net income to arrive at net (loss)/income available to the Company's ordinary shareholders for purpose of calculating the consolidated basic (losses)/earnings per share.

	<u>2015</u>	<u>2014</u>
Weighted average number of outstanding ordinary shares in issue	54,659,315	52,563,387
Net income/(loss) from continuing operations	10,427	(6,120)
Net income attributable to non-controlling interests	(2,434)	(2,203)
Accretion on redeemable non-controlling interests	(43,001)	(25,510)
Net loss for the year attributable to ordinary shareholders of the Company—Continuing operations (US\$'000)	<u>(35,008)</u>	<u>(33,833)</u>
Income from discontinued operations, net of tax	-	2,034
Net income attributable to non-controlling interests	-	(1,017)
Net loss for the year attributable to ordinary shareholders of the Company—Discontinued operations (US\$'000)	<u>-</u>	<u>1,017</u>
	<u>(35,008)</u>	<u>(32,816)</u>
(Losses)/Earnings per share attributable to ordinary shareholders of the Company		
- Continuing operations (US\$ per share)	(0.64)	(0.64)
- Discontinued operations (US\$ per share)	-	0.02
	<u>(0.64)</u>	<u>(0.62)</u>

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is calculated by dividing net (loss)/income attributable to ordinary shareholders, by the weighted average number of ordinary and dilutive ordinary share equivalent outstanding during the period. Dilutive ordinary share equivalents include shares issuable upon the exercise or settlement of share-based awards issued by the Company and its subsidiaries using the treasury stock method and the ordinary shares issuable upon the conversion of the preferred shares issued by HMHL using the if-converted method. The computation of diluted (losses)/earnings per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect.

In determining the impact from share-based awards and convertible preferred shares issued by HMHL, the Company first calculates the diluted earnings per share at the HMHL and includes in the numerator of consolidated (losses)/ earnings per share the amount based on the diluted (losses)/earnings per share of HMHL multiplied by the number of shares owned by the Company. If dilutive, the percentage of the Company's shareholding in HMHL was calculated by treating convertible preferred shares issued by HMHL as having been converted at the beginning of the period and share options as having been exercised during the period.

For purpose of calculating (losses)/earnings per share for discontinued operations, the same number of potential ordinary shares used in computing the diluted per share amount for income from continuing operations was used in computing diluted per share amount for income from discontinued operations.

	<u>2015</u>	<u>2014</u>
(Losses)/Earnings per share attributable to ordinary shareholders of the Company		
- Continuing operations (US\$ per share)	(0.64)	(0.64)
- Discontinued operations (US\$ per share)	-	0.02
	<u>(0.64)</u>	<u>(0.62)</u>

For the year ended December 31, 2015 and 2014, the preferred shares issued by HMHL and share options issued by the Company and HMHL were not included in the calculation of diluted loss per share because of their anti-dilutive effect.

Diluted loss per share from continuing operations for the year ended December 31, 2015 and 2014 was the same as the basic loss per share from continuing operations.

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.