

Client: Chi-Med

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HYBRIDAN *Small Cap Wrap*

Hutchison China MediTech Limited (LON:HCM 615p / £320.12m)

Chi-Med announced that Hutchison MediPharma Limited (HMP), its majority owned R&D Company, is set to receive a milestone payment of US\$6m from Janssen Pharmaceuticals, Inc., pursuant to the global strategic alliance to develop novel small-molecule therapeutics against a target in the area of inflammation/immunology entered into by the companies in June 2010. The US\$6m milestone was triggered by a compound, the Candidate, discovered by HMP in collaboration with Janssen meeting certain development candidate criteria pursuant to the Agreement. Upon achievement of specific clinical development and approval milestones, HMP may potentially receive up to an additional US\$90.5m and is entitled to royalties on worldwide sales upon commercialisation of a product by Janssen. Hutchison MediPharma Limited also separately announced that it has entered into a licensing, co-development, and commercialisation agreement in China with Eli Lilly and Company for Fruquintinib (HMPL-013), a targeted oncology therapy for the potential treatment of various types of solid tumours. Fruquintinib, a selective inhibitor of the Vascular Endothelial Growth Factor (VEGF) receptor tyrosine kinases, was discovered by HMP and is currently in Phase II testing in China. Under the terms of the agreement, the costs of future development of Fruquintinib in China, to be carried out by HMP, will be shared between HMP and Lilly. HMP will potentially receive a series of payments of up to US\$86.5m, including upfront payments and development and regulatory approval milestones. Should Fruquintinib be successfully commercialised in China, HMP would receive tiered royalties starting in the mid-teens percentage of net sales.