

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to shareholders their report and financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company of a pharmaceutical and healthcare group whose main country of operation is China. It engages in research, development, manufacturing and sales of pharmaceuticals, health supplements and other consumer health and personal care products derived from traditional Chinese medicine and botanical ingredients.

RESULTS

The Consolidated Income Statement is set out on page 39 and shows the Group's results for the year ended 31 December 2006.

DIVIDENDS

No interim dividend for the year ended 31 December 2006 was paid and the Directors do not recommend the payment of final dividend for the year ended 31 December 2006.

RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 41.

NON-CURRENT ASSETS

Particulars of the movements of non-current assets of the Group are set out in notes 13 to 17 of the Consolidated Balance Sheet.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 of the Consolidated Balance Sheet.

DIRECTORS

The Directors of the Company as at 31 December 2006 were:

Executive Directors:

Mr Simon To
Mr Christian Hogg
Mr Patrick Wan

Non-executive Directors:

Mr Christian Salbaing
Ms Edith Shih
Mr Stephen Yeung

Independent Non-executive Directors:

Mr Michael Howell
Prof Christopher Huang
Mr Christopher Nash

On 29 September 2006, Mr Christopher Nash was appointed as Senior Independent Director of the Company.

Ms Edith Shih and Messrs Christian Hogg, Patrick Wan, Christian Salbaing, Stephen Yeung, Michael Howell, Christopher Huang and Christopher Nash will retire by rotation at the forthcoming annual general meeting under the provisions of Article 90(3) of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

The Directors' biographical details are set out on pages 25 to 26.

Highlights

Chairman's Statement

Chief Executive Officer's Statement

Biographical Details of Directors

DIRECTOR'S INTERESTS IN SHARES

As at 31 December 2006, the interests in the shares of the Company held by the Directors and their families were as follows:

Name of Directors	Number of Ordinary Shares held
Christopher Nash	18,000
Michael Howell	18,000

SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

On 4 June 2005, the Company adopted a share option scheme, conditional on the admission of the shares of the Company on the Alternative Investment Market operated by the London Stock Exchange. The Board of Directors of the Company may, at its discretion, offer any employees and directors (including executive and non-executive directors but excluding independent non-executive directors) of the Company, holding companies of the Company and any of their subsidiaries or affiliates, and subsidiaries or affiliates of the Company options to subscribe for shares of the Company.

As at 31 December 2006, share options to subscribe for shares of the Company held by the Directors and employees were as follows:

Name or category of participant	Effective date/ date of grant of share options	Number of share options held at 1 January 2006	Granted during 2006	Exercised during 2006	Expired/ cancelled during 2006	Number of share options held at 31 December 2006	Exercise period of share options	Exercise price of share options £
Christian Hogg	19.5.2006	N/A	768,182	-	-	768,182	19.5.2006 to 3.6.2015	1.09
11 employees in aggregate	19.5.2006	N/A	1,229,089	-	(25,606)	1,203,483	19.5.2006 to 3.6.2015	1.09
3 employees in aggregate	11.9.2006	N/A	161,063	-	-	161,063	11.9.2006 to 18.5.2016	1.715
Total:			2,158,334	-	(25,606)	2,132,728		

Note: The share options granted to certain founders of the Company are subject to, amongst other relevant vesting criteria, the vesting schedule of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009. The share options granted to non-founders of the Company are subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.

SUBSTANTIAL SHAREHOLDINGS

As at 27 March 2007, being the latest practicable date prior to the publication of this report, the interests in excess of 3% of the issued share capital of the Company were as follows:-

Name of Shareholder	Number of Ordinary Shares held	% of Issued Share Capital
Hutchison Healthcare Holdings Limited ⁽¹⁾ ("HHHL")	36,666,667	71.6%

Note:
(1) HHHL is a private company registered in the British Virgin Islands and carries on business as a holding company. HHHL is an indirect wholly owned subsidiary of Hutchison Whampoa Limited which is registered in Hong Kong.

Report of the Directors

Corporate Governance Report

Independent Auditor's Report

Financial Section

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible will offer themselves for re-appointment.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held on Friday, 11 May 2007 at 2:30 p.m. (UK time) at Citigate Dewe Rogerson, 3 London Wall Buildings, London, EC2M 5SY. Details of the resolutions proposed are set out in the Notice of the AGM.

By Order of the Board

Edith Shih

Director and Company Secretary

21 March 2007