

# Report Of The Directors

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2009.

## 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.

## BUSINESS REVIEW

A detailed review of the performance, business activities and future development of the Group are set out in the Chairman's Statement and the Chief Executive Officer's Statement.

## RESULTS

The Consolidated Income Statement is set out on page 42 and shows the Group's results for the year ended 31 December 2009.

## DIVIDENDS

No interim dividend for the year ended 31 December 2009 was declared and the Directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

## RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 45.

## NON-CURRENT ASSETS

Particulars of the movements of non-current assets of the Group are set out in notes 13 to 18 to the accounts.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the accounts.

## DIRECTORS

The Directors of the Company as at 31 December 2009 were:

### Executive Directors:

Mr Simon To

Mr Christian Hogg

### Non-executive Directors:

Mr Shigeru Endo

Mr Christian Salbaing

Ms Edith Shih

### Independent Non-executive Directors:

Mr Michael Howell

Prof Christopher Huang

Mr Christopher Nash

Mr Christian Hogg, Mr Michael Howell and Mr Christian Salbaing will retire by rotation at the forthcoming annual general meeting under the provisions of Article 91(1) 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 26 to 27.

### DIRECTORS' INTERESTS IN SHARES

As at 31 December 2009, 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
Christian Hogg	320,000
Michael Howell	143,000
Christopher Nash	18,000

### SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

#### (i) Share option scheme of the Company

On 4 June 2005, the Company adopted a share option scheme (the "Share Option Scheme"), which was subsequently amended by the Board of Directors of the Company on 21 March 2007. Pursuant to the Share Option Scheme, 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, and subsidiaries or affiliates of the Company options to subscribe for shares of the Company.

The following share options were outstanding under the Share Option Scheme during the year ended 31 December 2009:

Name or category of participant	Effective date of grant of share options	Number of share options held at 1 January 2009	Granted during 2009	Expired/lapsed/ cancelled/ surrendered/ during 2009		Number of share options held at 31 December 2009	Exercise period of share options	Exercise price of share options £
				Exercised during 2009				
Director Christian Hogg	19.5.2006 <sup>(1),(2)</sup>	768,182	-	-	-	768,182	19.5.2006 to 3.6.2015	1.090
Employees in aggregate	19.5.2006 <sup>(1),(2)</sup>	603,683	-	(50,000)	-	553,683	19.5.2006 to 3.6.2015	1.090
	11.9.2006 <sup>(2)</sup>	80,458	-	-	-	80,458	11.9.2006 to 18.5.2016	1.715
	23.3.2007 <sup>(3)</sup>	8,535	-	-	-	8,535	23.3.2007 to 22.3.2017	1.750
	18.5.2007 <sup>(3)</sup>	90,298	-	-	-	90,298	18.5.2007 to 17.5.2017	1.535
	24.8.2007 <sup>(3)</sup>	256,060	-	-	(256,060)	-	24.8.2007 to 23.8.2017	1.685
	25.8.2008 <sup>(4)</sup>	256,146	-	-	-	256,146	25.8.2008 to 24.8.2018	1.260
Total:		2,063,362	-	(50,000)	(256,060)	1,757,302		

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Notes:

- (1) The share options were granted on 4 June 2005, conditionally upon the Company's admission which took place on 19 May 2006.
- (2) 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.
- (3) The share options granted are subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.
- (4) The share options granted are subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.

(ii) **Share option scheme for existing shares of Hutchison MediPharma Holdings Limited ("HMHL")**

On 6 August 2008, HMHL, a direct wholly-owned subsidiary of the Company, adopted a share option scheme (the "HMHL Share Option Scheme") as the sole share-based incentive programme for the employees of Hutchison MediPharma Limited, an indirect wholly-owned subsidiary of HMHL. Pursuant to the HMHL Share Option Scheme, any employee or director of HMHL and any of its subsidiaries and affiliates is eligible to participate in the HMHL Share Option Scheme and options may be granted to eligible participants to acquire existing shares in HMHL subject to the rules of the HMHL share Option Scheme.

The following share options were outstanding under the HMHL Share Option Scheme during the year ended 31 December 2009:

Category of participant	Effective date of grant of share options	Number of share options held at 1 January 2009	Granted during 2009	Expired/lapsed/		Number of share options held at 31 December 2009	Exercise period of share options	Exercise price of share options US\$
				Exercised during 2009	cancelled/surrendered during 2009			
Employees in aggregate	6.8.2008 <sup>(1)</sup>	4,528,000	-	-	(254,000)	4,274,000	6.8.2008 to 5.8.2014	1.28
	5.10.2009 <sup>(1)</sup>	N/A	367,000	-	(9,000)	358,000	5.10.2009 to 4.10.2015	1.52
Total:		4,528,000	367,000	-	(263,000)	4,632,000		

Note:

- (1) The share options granted are subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.

### SIGNIFICANT SHAREHOLDINGS

As at 12 March 2010, being the latest practicable date prior to the publication of this report, according to the records of the Company, the following holders held interests in 3% or more of the issued share capital of the Company:-

Names	Number of Ordinary Shares held	Approximate % of Issued Share Capital
Hutchison Healthcare Holdings Limited <sup>(1)</sup> ("HHHL")	36,666,667	71.5%
Computershare Company Nominees Limited ("CCNL")	14,542,089	28.3%
<i>Depository Interest held under CCNL:</i>		
<i>Nutraco Nominees Limited</i>	<i>1,791,315</i>	<i>3.5%</i>
<i>Nortrust Nominees Limited</i>	<i>1,691,000</i>	<i>3.3%</i>
<i>Apollo Nominees Limited</i>	<i>1,551,490</i>	<i>3.0%</i>
Cazenove Capital Management Limited <sup>(2)</sup>	2,265,305	4.4%
Slater Investments Limited <sup>(2)</sup>	2,145,165	4.2%

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.
- (2) Major interests in shares of the Company notified to the Company under the Vote Holder and Issuer Notification Rules of the Disclosure Rules and Transparency Rules.

### AUDITOR

The accounts 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, 30 April 2010 at 11:00 am (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*

2 March 2010