OVERVIEW

We are a leading developer, manufacturer and marketer of medical devices in China in terms of the number of stents implanted, focusing primarily on minimally invasive interventional products for the treatment of vascular diseases and disorders. According to a report prepared by Frost & Sullivan in June 2010, we had the leading market share, in terms of the number of stents implanted, of approximately 26.6%, 28.7% and 28.9% of all coronary stents implanted in China in 2007, 2008 and 2009, respectively. As of the Latest Practicable Date, we offered 18 products including cardiovascular and other vascular devices, as well as an EP and a diabetes device. Our principal product is Firebird 2, our second generation drug-eluting cobalt-chromium stent, which is thinner, stronger and more flexible than its predecessor, Firebird, which is made of stainless steel, and as a result Firebird 2 provides higher efficacy. Both Firebird 2 and its predecessor, Firebird, have been the leading drug-eluting stents in China in terms of the number of stents implanted in 2007, 2008 and 2009. We have demonstrated a history of innovation being the first China-based manufacturer of interventional cardiology products and developing the first drug-eluting stent commercially produced in China, in addition to having a large intellectual property portfolio.

China's healthcare system is undergoing fundamental changes as a result of the significant expansion of financial support for the healthcare system as part of the PRC government's new healthcare reform initiative. We expect that this increased governmental spending will lead to increased diagnosis and treatment of chronic ailments which are becoming more common in China, such as vascular diseases and disorders and diabetes. In particular, cardiovascular disease is currently one of the leading causes of death in China. According to an article citing the China Chronic Heart Disease 2006 Annual Report, nearly 50% of all deaths annually are due to cardiovascular disease, and the prevalence of cardiovascular disease has steadily increased each year in China. Frost & Sullivan estimates that the coronary stent market in China was approximately RMB3.76 billion in 2007, and is expected to grow to approximately RMB16.92 billion in 2014, representing a CAGR of 24.0%.

As a result of the success of Firebird and Firebird 2 drug-eluting stents, we enjoy strong brand recognition among the interventional cardiology community in China. In addition to our Firebird line of products, we offer a range of other vascular stents to treat vascular diseases and disorders in other parts of the body. For example, we offer increasingly utilized lines of TAA and AAA stents, called Hercules and Aegis, which are metal stents covered with non-porous film or fiber to create an artificial vessel wall to relieve pressure caused by an aneurysm. We also sell intracranial stents which are extremely small, flexible stents used to facilitate blood flow in blood vessels in the brain, as well as stent grafts for use in surgical operations.

Leveraging our experienced research and development team, which had 170 employees as of March 31, 2010, we have internally developed and commercialized all of our cardiovascular and other vascular devices and an EP ablation catheter, and, as of the Latest Practicable Date, had an additional 28 products in various stages of development. As a result of our commitment to research and development, we have amassed a large intellectual property portfolio. As of the Latest Practicable Date, we had received a total of 52 patents in China, including 13 invention patents, 38 utility model patents and one design patent, and two patents in the European Union. In addition, as of the Latest Practicable Date, we had 83 patent applications pending in China and 11 patent applications pending in the United States, the European Union and Japan.

Our research and development initiatives focus on developing both next-generation stents and medical devices for the treatment of other types of chronic ailments which enable us to leverage our core strengths in presently growing, but currently underserved, markets in China. For example, we received SFDA approval for, and recently commercially launched, our new EP catheter product, FireMagic, which corrects a common type of arrhythmia. We are also developing additional EP products and initiating research into the development of pacemakers. Furthermore, to address the rapid increase in diabetes in China resulting from changing living standards and lifestyles and an aging population, we acquired, made improvements to and recently commenced sales of our insulin pump, La Fenice, and are in the process of developing a series of additional diabetes-related

products. Finally, we are working on a range of orthopedic devices which are designed to immobilize and/or stabilize vertebrae in the spine, which may be needed following an injury or as a result of aging.

Due to our early entry into the minimally invasive interventional device market in China, we have built an established network with many key opinion leaders in the Chinese medical community, including physicians, researchers and hospital administrators. During the Track Record Period, our products have been used in over 1,100 hospitals across China. We use a combination of our own sales and marketing teams and a network of independent distributors to market and sell our products in China. Our highly trained sales and marketing teams, totaling 132 employees as of March 31, 2010, market our medical devices directly to hospitals through regular visits to interventional cardiologists, radiologists, vascular surgeons and other medical professionals, sponsorship of conferences, seminars and physician education programs, and other activities including regular training for newer products. These direct marketing activities and our joint research and development projects with hospitals help enhance awareness of our products, raise our profile and promote our brand recognition. We also had 125 independent distributors as of March 31, 2010 which, together with our own sales and marketing teams, provide us with nationwide coverage of the China market. Nevertheless, we sold a minimal amount of TAA/AAA stent grafts directly to hospitals in 2007 which accounted for 0.2% of our revenue for that year. In addition, we export our products outside of China through our network of over 20 overseas distributors to more than 20 countries in the Asia Pacific region (excluding China), South America and Europe. International sales accounted for 10.2%, 10.7%, 10.6% and 7.0% of our revenue for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively.

We have established advanced manufacturing facilities, covering all key aspects of the design, development and manufacturing of our medical devices. As we had the leading market share in terms of the number of stents implanted in 2007, 2008 and 2009 according to Frost & Sullivan, we believe our facilities are among the largest of the interventional medical device companies in China. In addition, we have commenced construction of a new, significantly larger facility into which we plan to consolidate most of our production upon its completion, which is scheduled for 2012. Our integrated production processes increase our production efficiency and reduce our dependence on third-party suppliers, which distinguishes us from our domestic competitors. We have a quality and regulatory affairs department which monitors every stage of our manufacturing processes and ensures consistent product quality that meets our quality management standards and policies.

In addition to drug-eluting stents, bare-metal stents (i.e., stents without a drug coating) and PTCA balloon catheters are the most common minimally invasive methods to treat vascular diseases and disorders. PTCA balloon catheters can be used either by themselves to expand and compress the plaque lining a blood vessel wall or as a method to expand a vessel and insert a drug-eluting or bare-metal stent (substantially all PTCA procedures in China in 2009 involved the use of a stent). According to Frost & Sullivan, drug-eluting stents were used in 95.7% of all coronary stent procedures in China in 2009, with the remaining 4.3% using bare-metal stents.

For the years ended December 31, 2007, 2008 and 2009, we had revenue of RMB421.3 million, RMB485.2 million and RMB560.7 million, respectively, representing an increase of 15.2% from 2007 to 2008 and an increase of 15.6% from 2008 to 2009. For the three months ended March 31, 2009 and 2010, we had revenue of RMB137.6 million and RMB176.7 million, respectively, representing an increase of 28.5%.

COMPETITIVE STRENGTHS

We believe that our principal competitive strengths include the following:

Established market leadership and strong brand recognition.

We have established the leading position in the drug-eluting stent market in China in terms of the number of stents implanted. According to a report prepared by Frost & Sullivan in June 2010, our market share, in terms of the number of stents implanted, was approximately 26.6%, 28.7% and 28.9% of all coronary stents implanted in China in 2007, 2008 and 2009, respectively. In addition, our drug-eluting stents have won a number of awards in China, including a science and technology award from the State Council for design and manufacturing and a proprietary innovative product certificate from MOST. Fu Wai Hospital, which operates a well-known cardiology center in China, conducted a large, single-center clinical study to compare Firebird with Johnson & Johnson (through its Cordis subsidiary)'s Cypher and Boston Scientific Corporation's Taxus, which are two major drug-eluting stents worldwide. This study found that Firebird is statistically equivalent to Cypher and Taxus in both safety and efficacy. An Zhen Hospital, which operates another well-known cardiology center in China, also conducted a clinical comparative study of rapamycin eluting stents and concluded that the efficacy of Cypher and Firebird is similar in both the short- and long-term. Moreover, we believe Firebird and Firebird 2 have better flexibility and deliverability than competing products in China based on feedback from cardiologists in China. We believe this advantage is due to our superior technology and stringent quality management system, which is a core component of our integrated manufacturing process. Our strong brand and leadership position in the drug-eluting stent market enable us to take advantage of the significant growth expected in the medical device industry in China, as well as create opportunities for us to expand in other fast growing and currently underserved areas of complementary medical devices.

Strong sales, marketing and distribution capabilities in China.

We have established relationships with many key opinion leaders in the Chinese medical community, including physicians, researchers and hospital administrators. We developed such relationships utilizing our local sales and marketing team of 132 employees as of March 31, 2010 and an established distribution network consisting of 125 distributors as of March 31, 2010 across the country. Through our marketing activities, training seminars and joint research and development projects with hospitals, we have established relationships with a number of well-known interventional cardiologists, radiologists and vascular surgeons in China, especially in Tier III and II hospitals where a majority of the interventional cardiovascular and other vascular procedures are performed. These relationships are a core component of our growth because these physicians are the ultimate decision makers with respect to which medical devices are recommended for use by their patients. In addition, we believe that our established relationships with hospitals and physicians create a barrier to entry for medical device manufacturers that have yet to enter China, as hospitals and physicians tend to select products with which they are familiar. As a result, we believe our established sales, marketing and distribution network provides a strong competitive advantage to those companies which have not yet established China operations.

Proven research and development capabilities, robust product pipeline and strong intellectual property portfolio.

We believe we maintain one of the largest highly skilled teams of research and development engineers in the medical device industry in China, with 170 employees, of which approximately 81 possess masters or doctorate degrees, as of March 31, 2010. The cornerstone of our research and development platform is a core team of experienced engineers, many of whom were trained and held leadership roles at many of the major medical device companies in the world. Each of our engineers focuses primarily on one product application and is involved in the entire research and development process from product design to testing and regulatory approval. Our engineers also have regular contact with the major hospitals which use our products, providing

them with real-time information regarding their needs. This understanding of the entire product development process and customer needs provides a strong, flexible engineering platform which can be used to quickly develop innovative products for a wide range of medical device applications. As of the Latest Practicable Date, we offered 18 products, all of which were developed internally, except for La Fenice which we acquired externally, and we had an additional 28 products in various stages of development. At the same time, we have built-up a large intellectual property portfolio, particularly in the minimally invasive interventional device area, and diligently monitor and defend our intellectual property. As of the Latest Practicable Date, we had received a total of 52 patents in China, including 13 invention patents, 38 utility model patents and one design patent, and two patents in the European Union. In addition, as of the Latest Practicable Date we had 83 patent applications pending in China and 11 patent applications pending in the United States, the European Union and Japan. We also had 25 applications for priority dates pending under the Patent Cooperation Treaty. We believe that our strong research and development capabilities and strong intellectual property portfolio reinforce our brand and will continue to enable us to keep pace with constantly evolving technologies in our industry.

Extensive experience in pre- and post-launch clinical trials and commercialization of products.

We have a proven track record of successfully initiating and completing large-scale clinical trials for our new products and obtaining SFDA approval for their commercial launch. We conduct these trials both on a pre-launch basis to obtain regulatory approval for the sale of new products and on a post-launch basis to build a database that serves as an important marketing tool to demonstrate to physicians that our products are safe and effective. Clinical trials are generally complex, multi-step projects, and they depend on the willingness of hospitals that are approved as clinical trial centers by SFDA to engage in them. Our research and development department is able to utilize our established relationships with the Chinese medical community to work closely with physicians, researchers and hospital administrators to get their support to participate in our proposed trials and develop clinical trial protocol plans that describe in detail the goal of the clinical trial, the risks involved, the overall design of the trial and the methods and procedures of the trial. Once a clinical trial has commenced, our clinical specialists continuously monitor the use of our products pursuant to the approved clinical trial protocol during the procedures and patients' reactions to the products following the procedures. We also maintain a team of regulatory specialists who use their deep understanding of SFDA regulatory approval process to submit the requisite clinical data to obtain approvals in a timely manner.

Since we commenced our business in May 1998, we have conducted clinical trials and received SFDA approval for 22 products, as well as SFDA approvals for all our product renewal applications (except for those applications currently being reviewed by SFDA in accordance with its procedures). We have completed a post-launch clinical trial for Firebird involving 1,561 patients across 29 cardiology centers in China and are currently conducting a second clinical trial for Firebird involving 1,029 patients from 45 cardiology centers in China. We initiated a post-launch clinical trial for Firebird 2 in April 2009 involving 5,084 patients from 80 cardiology centers in China and commenced a second Firebird 2 trial involving up to 1,000 patients in March 2010. We believe that our extensive experience in clinical trials and obtaining SFDA approvals creates a re-enforcing competitive advantage whereby hospitals and physicians are more willing to engage in clinical trials with us because they are already familiar with our Company and know we have a proven record of successful trials. Following SFDA approval, our sales efforts benefit from the fact that many physicians at major hospitals are already familiar with our new products as a result of the clinical trials, which is augmented by our efforts to build patient databases through post-launch clinical trials and the training, product demonstrations and other activities of our sales and marketing department.

High quality, cost-effective manufacturing platform.

We have established advanced manufacturing facilities, covering all key aspects of the design, development and manufacturing of our medical devices. As we had the leading market share in terms of the

number of stents implanted in 2007, 2008 and 2009 according to Frost & Sullivan, we believe our facilities are among the largest of the interventional medical device companies in China, and we have commenced construction on a new, significantly larger facility in Zhangjiang Hi-Tech Park, Shanghai, China into which we plan to consolidate most of our production upon its completion, which is scheduled for 2012. Our manufacturing capabilities allow us to quickly and cost-effectively produce products in various lots, ranging from small test batches and limited production for clinical trials to full commercial production. Our production processes are also flexible so that we can switch production between different products, enabling us to capture new market opportunities as the needs of physicians and patients change and our product development activities evolve. In addition, our integrated approach allows us to lower our production costs and lessen our dependence on third party suppliers by manufacturing a majority of our key components. We also have a quality and regulatory affairs department which monitors every stage of our manufacturing processes and ensures consistent product quality that meets our quality management standards and policies. We have established a quality management system in accordance with SFDA regulations, and our manufacturing facilities are regularly inspected by SFDA and other governmental bodies. As a result, we are able to price our products competitively while maintaining high quality standards and strong brand recognition.

Experienced management team.

Our senior management team brings together strong technical expertise and business experience. Our management team is comprised of experienced medical device specialists and senior managerial personnel. Most members of our senior management have many years of experience in the medical device industry, gained from working in large multinational companies, including Medtronic, Inc., Guidant Corporation, Endocare Inc., Cyromedical Sciences Inc., C.R. Bard, Inc. and St. Jude Medical Inc. Members of our management also have extensive experience working together, with our executive Director and chairman, president, chief operating officer and chief technology officer having been working together at our Company for the last five years. We believe that our experienced and committed management team enhances our ability to develop and implement our strategies quickly in response to market changes. Furthermore, due to our brand name and market position in China in the interventional cardiovascular area, we believe that we are able to attract highly qualified personnel at various levels who have the educational or technical backgrounds we need for our operations.

STRATEGIES

Our objective is to strengthen our position as a leader in developing, manufacturing and marketing medical devices in China and over time in select international markets. We intend to achieve our objective by implementing the following strategies:

Continue to enhance our brand name and market position in China.

We will continue to build our brand name and increase the market penetration of our products, in particular our drug-eluting stents by increasing our marketing efforts, expanding our distribution network, hiring additional marketing personnel and continuing to develop relationships with the major hospitals and physicians in China. For example, we expanded the size of our marketing and sales staff during the Track Record Period by approximately 76.0%, and we expect that we will hire additional staff in future periods. We are also increasing the number of training programs for physicians and plan to establish education and training centers in China. In addition, we intend to increase our penetration of small- to medium-sized hospitals and selected geographic regions, such as southern and southwestern China, where sales of our products are currently lower than in other areas. Moreover, we will continue to conduct post-launch clinical studies with hospitals to build patient databases that demonstrate the safety and efficacy of our products and to conduct clinical studies that compare our products to those of our competitors. Such clinical data is an important marketing tool for enhancing the reputation of our brand. We will also further enhance our customer service to continue to foster physician loyalty.

Broaden our portfolio of innovative devices for vascular diseases.

We intend to continue devoting significant resources to the research and development of new products for the treatment of cardiovascular and other vascular diseases. We have a wide range of innovative products currently in various stages of development, including Firehawk, our third generation drug-eluting stent. Firehawk uses a biodegradable drug coating that is specially applied so that it attaches only to the area of the stent that contacts the blood vessel, thereby reducing the amount of the drug released and minimizing the impact on the patient. We are currently conducting clinical trials of Firehawk. In addition, we have a wide range of other stent products in development, including carotid stents, intracranial stent grafts and next-generation TAA/AAA stent grafts. We intend to continue to develop products in this area that will gain market acceptance in China to leverage our existing brand and hospital relationships.

Develop new technologies and enter complementary medical device markets.

Building on our strong product portfolio and our technical expertise in minimally invasive devices, we are expanding into other medical device markets which offer significant growth opportunities, including devices for the treatment of arrhythmia, diabetes and orthopedic disorders. In evaluating new areas of the medical device market to enter, we consider long-term demographic and health trends in China, as well as PRC government policies, to identify categories of medical devices which improve the quality of life for patients with chronic ailments and address large and growing markets. We also look to identify categories of medical devices which enable us to leverage our strengths in research and development, high quality manufacturing of complex devices, extensive distribution, marketing and sales networks, and expertise with clinical trials and obtaining SFDA approval. Finally, we focus on areas which we believe are currently underserved in the China market and elsewhere. For example, we recently commercially launched FireMagic, an EP ablation catheter, and expect to commercially launch EasyFinder, an EP diagnostic catheter, as soon as the last quarter of 2010. We also market La Fenice, an insulin pump for the administration of insulin to diabetics. We are developing a suite of other devices in these areas, as well as a line of orthopedic devices for the treatment of spinal disorders. We are also exploring other areas which present potential growth opportunities such as pacemakers.

Capitalize on opportunities created by China's ongoing healthcare reforms.

We intend to capitalize on opportunities created by China's ongoing healthcare reforms, which will significantly expand China's healthcare infrastructure and public insurance coverage. Of the RMB850 billion which the PRC government plans to inject into the healthcare system, a significant amount is anticipated to be devoted toward developing basic healthcare services, including building an additional 2,000 county hospitals and approximately 30,000 township hospitals by 2011. This massive expansion of healthcare infrastructure across China is designed to expand and ensure adequate healthcare in towns and rural areas by boosting patients' accessibility and affordability of medical care, thereby increasing the rates of disease diagnoses. We expect that this increased government spending will lead to increased diagnosis and thus, in the long-term, treatment of chronic ailments such as vascular diseases and disorders, arrhythmia and diabetes. We plan to increase the level of interaction between our sales and marketing teams and physicians in smaller hospitals through training, seminars and other activities. These activities are designed to raise their awareness of the symptoms associated with vascular and other ailments treated with our products and thus expand the overall addressable market. We also expect the PRC government to continue its support for the ongoing gradual expansion and upgrading of Tier III and Tier II hospitals where advanced medical procedures such as stenting and PTCA are conducted. Accordingly, our sales and marketing teams will also remain focused on maintaining our relationships with these hospitals and introducing physicians in these hospitals to our newer products, including deploying dedicated teams for new product lines such as our EP devices. Finally, the PRC government's planned expansion of the basic medical insurance scheme to cover more than 90% of the Chinese population will significantly increase the affordability of healthcare services for patients in China. We plan to continue promoting awareness of our

portfolio of products among the various local government offices which administer such insurance scheme so that they will be considered for inclusion, and remain included, in the list of reimbursable medical devices within the particular locale.

Further expand brand awareness and sales internationally.

We intend to increase our sales to international markets and enhance awareness of our products outside of China. We have received regulatory approval to sell a number of our products in several jurisdictions, including countries in the Asia Pacific region (excluding China), South America and Europe. In addition, we have filed applications for approvals of our products in the European Union and several countries in the Asia Pacific region (excluding China) and South America. As part of these efforts, we have been, and plan to continue, increasing the number of distributors we use overseas, increasing the number of overseas clinical trials we conduct and streamlining our international sales department. For example, we intend to provide our international sales department with real time online access to regulatory data regarding our products which will help them to more efficiently and effectively increase penetration in our existing international markets and enter into new markets. Our products were sold in more than 20 countries in 2009, up from 16 countries in 2008, and we expect to increase our sales to international markets as we gain brand recognition worldwide. We will continue to develop products targeting these and other potential international markets, especially the European Union. We also plan to expand our international presence by establishing alliances and partnerships with local and international companies in our target markets.

Pursue product and technology purchase opportunities, strategic acquisitions and alliances.

To complement our internal capabilities, we will seek suitable opportunities to acquire new products or innovative technologies in the interventional cardiology and other vascular areas, as well as in other medical device areas that have a large potential market in China and enable us to leverage our existing strengths, such as EP, diabetes and orthopedics. For example, we acquired MP Lifesciences Beijing in June 2008 to develop our diabetes business. We believe that pursuing selective acquisitions of companies or technologies could enhance our competitiveness and strengthen our market position. Such transactions may include acquisitions of companies based within and outside of China. We believe that our relationships with many industry participants and our knowledge of, and experience in, the medical device industry in China allow us to understand industry trends, technological developments and practical applications of medical technologies, which will assist us in making decisions regarding such acquisitions. In addition, entering the Chinese marketplace is a difficult and complex undertaking, and many foreign companies find it extremely challenging to establish a viable entry into the market. We expect that our extensive platform in China will provide opportunities for potential alliances with foreign medical device manufacturers which are looking to sell products in China.

PRODUCTS

We develop, manufacture and sell interventional cardiology and other vascular devices as well as an EP ablation catheter and insulin pump, and are developing other devices for the treatment of arrhythmia, diabetes and orthopedic disorders and pacemakers. Our principal product is Firebird 2, our second generation drug-eluting stent. Firebird 2 and its predecessor, Firebird, have been the leading drug-eluting stents in China in terms of the number of stents implanted in 2007, 2008 and 2009. Firebird generated approximately 89.4%, 83.7%, 5.8% and 3.0% of our revenue for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, and Firebird 2 generated approximately 3.2%, 80.5% and 83.9% of our revenue for the years ended December 31, 2008 and 2009 and the three months ended March 31, 2010, respectively.

Our stents are delivered into the blood vessels of patients primarily using catheter delivery systems and are produced in various diameters and lengths for use in different size blood vessels of patients.

All of our products sold in China met the requisite standards of SFDA. See "Regulations — SFDA requirements" for a discussion of the SFDA approval requirements and the dates our products received SFDA approvals.

Current products

As of the Latest Practicable Date, we offered 18 products. The following table sets forth a list of our current products and their commercial launch dates and current markets.

Type of Device	Brand	Product	Commercial Launch Date	Current Markets
Cardiovascular Devices	Firebird 2	Drug-eluting cobalt-chromium stent	January 2009	China Asia Pacific
	Firebird	Drug-eluting stent	July 2004	China Asia Pacific South America
	Mustang	Bare-metal stent	November 2000	China Asia Pacific South America Europe
	Tango	Bare-metal cobalt-chromium stent	September 2007	Asia Pacific (excluding China) South America Europe
	Jive	PTCA balloon dilatation catheter(1)	August 2005	Asia Pacific (excluding China) South America Europe
	Pioneer/Scipio	PTCA balloon dilatation catheter(1)	December 1999/ November 2006	China Japan
	Catenaccio	PTCA balloon dilatation catheter with high pressure balloon(1)	July 2006	Japan
	—	Angiographic catheter(1)	June 2000	China
	—	Single-use accessory devices for use with intravascular catheter(1)	December 2000	China

Type of Device	Brand	Product	Commercial Launch Date	Current Markets
Other Vascular Devices	Cronus	Operational stent graft(1)	September 2004	China
	Apollo	Intracranial stent(1)	December 2004	China
	Aether	Distal protective device(1)	June 2007	China
	Hercules T	TAA stent graft	July 2006	China South America
	Aegis T	TAA stent graft	May 2002	China
	Hercules B	AAA stent graft	September 2009	China Asia Pacific South America
	Aegis B	AAA stent graft	July 2006	China
Electrophysiology Device	FireMagic	Ablation catheter	July 2010	China
Diabetes Device	La Fenice (the predecessor version of this product was named Shengtang A)	Insulin pump(1)	December 2009	China

Note:

(1) These products are categorized under other products when we set forth the breakdown of our revenue by products contained elsewhere in this prospectus.

Product development pipeline

We currently expect to launch five new devices as soon as 2010, an additional four new devices as soon as 2011 and three new devices as soon as 2012. The following table sets forth our products under development and our products that have been approved but not yet launched commercially, their distinguishing features and their stage of development, listed in the order of the respective years in which we expect to launch them commercially.

We plan to initially launch all of our products currently in development in China and consider expanding sales to other markets given suitable opportunities, depending on factors such as the type of product and market demand and regulatory requirements.

Expected to be Commercially Launched as Soon as	Type of Device	Product	Stage of Development
2010	Other Vascular Devices	Crownus peripheral stent	Received approval from SFDA
		Radial artery hemostat	Received approval from SFDA
	Electrophysiology Device	EasyFinder fixed curve diagnostic catheter	Submitted to SFDA for approval
	Diabetes Devices	Disposable infusion set for insulin pump	Submitted to SFDA for approval
		Disposable syringe for insulin pump	Submitted to SFDA for approval
2011	Other Vascular Devices	Willis intracranial stent graft	Submitted to SFDA for approval
		Taurus carotid stent	Submitted to SFDA for approval
	Electrophysiology Device	Circular diagnostic catheter	Preparing initial submission for Shanghai SFDA
	Other Device	Infusion pump for delivery of medicine to treat Kallmann syndrome	In clinical trials
2012	Cardiovascular Device	Firebird 2 Long, drug-eluting cobalt-chromium stent with extended length	Preparing initial submission for Shanghai SFDA
	Diabetes Device	V Pump, second generation insulin pump	In research and development
	Orthopedic Device	Posterior spinal fixation system	In research and development

Expected to be Commercially Launched as Soon as	Type of Device	Product	Stage of Development
Beyond 2012	Cardiovascular Device	Firehawk, third generation drug-eluting stent	In clinical trials
	Other Vascular Devices	Neurovascular reconstruction system for treatment of cerebral aneurysms	In pre-clinical study
		Castor branched stent graft system for treatment of thoracic aortic aneurysms	In pre-clinical study
		Hercules balloon catheter	In clinical trials
	Diabetes Device	Patch insulin pump	In research and development
	Electrophysiology Devices	3D EP system for mapping of the heart's electrical patterns	In pre-clinical study
		External reference electrode	In pre-clinical study
		Navigation and ablation catheter	In pre-clinical study
	Orthopedic Devices	Anterior cervical plate system	In research and development
		Thoracic & lumber fusion device	In research and development
		Cervical fusion device	In research and development
		Posterior cervical fixation system	In research and development
		Locking plate system	In research and development
	Other Devices	Biomaterial replacement heart valve	In research and development
		Catheter for injection of gene or bone marrow into heart tissue for treatment of coronary ischemia	In research and development
		Pacemaker	In research and development

Interventional cardiology and other vascular devices

Drug-eluting stents

Drug-eluting stents generated substantially all of our revenue during the Track Record Period, and we expect to continue to derive a substantial majority of our revenue from Firebird 2 in 2010 and 2011.

Firebird 2

In January 2008, we obtained SFDA approval for Firebird 2, our second generation drug-eluting stent. We commercially launched Firebird 2 in January 2009, with limited pre-marketing sales in 2008. Firebird 2 is a balloon-expandable stent constructed of 0.034 inch thick cobalt-chromium and coated with sirolimus, a type of drug also known as rapamycin which has been proven to be effective and safe in limiting in-stent restenosis and inflammation around the stent. Cobalt-chromium stents are thinner, stronger and more flexible than stainless steel stents, and as a result, provide higher efficacy. We designed Firebird 2 so that it has a very small profile while collapsed so that it can be inserted into blood vessels more easily and, when expanded, displays high radial strength to ensure the blood vessel remains unblocked. In addition, cobalt-chromium is less likely to interfere

with MRI, as compared to stainless steel which has magnetic properties that can affect the image generated. We also use a different polymer from that of Firebird for Firebird 2, which is more biostable and biocompatible (meaning it is not harmful to the body and allows a stable release of the drug over the desired time period). Firebird 2 is inserted into a patient utilizing a rapid exchange catheter system which allows a surgeon to rapidly and single-handedly place the stent into the blood vessel via a guide wire which runs through the center of the catheter. We are developing Firebird 2 Long, which extends the length of Firebird 2 to treat longer areas of blocked vessels using a single stent.

Firebird

In May 2004, we obtained SFDA approval for Firebird, our first proprietary drug-eluting stent. We launched Firebird commercially in July 2004. Firebird is a balloon-expandable stent constructed of 0.042 inch thick stainless steel and coated with sirolimus. The polymer used in Firebird is designed to be biostable and biocompatible. Firebird was designed by our research and development team and was the first domestic drug-eluting stent in China.

Clinical trials for Firebird 2 and Firebird

We have conducted various clinical trials for Firebird 2 and Firebird and are currently engaging in a post-launch clinical study for Firebird 2. For example, Fu Wai Hospital, which operates a well-known cardiology center in China, conducted a large, single-center clinical study to compare Firebird with Johnson & Johnson (through its Cordis subsidiary)'s Cypher and Boston Scientific Corporation's Taxus, which are two major drug-eluting stents worldwide. This study found that Firebird is statistically equivalent to Cypher and Taxus in both safety and efficacy. An Zhen Hospital, which operates another well-known cardiology center in China, also conducted a clinical comparative study of rapamycin eluting stents and concluded that the efficacy of Cypher and Firebird is similar in both the short- and long-term. In addition, the preliminary results from Focus, our ongoing Firebird 2 post-commercial launch clinical study, indicate Firebird 2 achieves all of the performance criteria we set for that product, including with respect to major adverse cardiac events. Moreover, we believe Firebird and Firebird 2 have better flexibility and deliverability than competing products in China based on feedback from cardiologists in China. This flexibility facilitates easier delivery and placement of the stent in target sites in the body that are difficult to reach.

Firehawk

We are currently conducting clinical trials for our third generation drug-eluting stent, Firehawk. Firehawk is a balloon-expandable cobalt-chromium target-eluting stent coated with sirolimus. Firehawk uses a biodegradable drug coating that is specially applied so that it attaches only to the area of stent that contacts the blood vessel, thereby reducing the amount of drug released and minimizing the impact on the patient. We expect to commercially launch Firehawk as soon as 2013, subject to the results of the clinical trials and SFDA approval.

Bare-metal stents

In November 2000, we obtained SFDA approval for Mustang, a balloon-expandable stainless steel stent without a drug coating. We commercially launched Mustang in the same month. Currently, we primarily sell Mustang in the Asia Pacific region (excluding China), South America and Europe, where there is higher demand for the relatively low cost bare-metal stents.

The market for bare-metal stents is characterized by significant competition and price pressure. Nonetheless, we intend to leverage our development efforts for drug-eluting stents and our low cost operating model to opportunistically sell bare-metal stents where demand exists. For example, starting in September 2007, we began marketing Tango, our bare-metal cobalt-chromium stent based on the Firebird 2 design, for sale mainly

in the Asia Pacific region (excluding China), South America and Europe (we received the first regulatory approval from an overseas regulator for this product in May 2007).

PTCA balloon dilatation catheters

PTCA balloon dilatation catheters are used to open blocked or narrowed coronary arteries during angioplasty procedures. PTCA balloon dilation catheters can also be used before or after the implantation of stents to open blocked or narrowed blood vessels. We use certain specific materials and coating for our PTCA balloon dilation catheters which we believe enhance their flexibility, smoothness and delivery.

We currently market three types of PTCA balloon dilatation catheters, namely, Jive, Pioneer/Scipio and Catenaccio. Jive is a PTCA balloon dilation catheter and is sold in the Asia Pacific region (excluding China), South America and Europe. Pioneer is a PTCA balloon dilation catheter and is sold in China. Pioneer is named as Scipio for sale in Japan. Catenaccio is a PTCA balloon dilation catheter designed for use with patients whose coronary arteries have hardened and require catheters with higher pressure to open the blocked or narrowed arteries. Catenaccio is sold in Japan. We commercially launched Jive, Pioneer/Scipio and Catenaccio in August 2005, December 1999/November 2006 and July 2006, respectively. We obtained SFDA approval or the first regulatory approval from an overseas regulator for Jive, Pioneer/Scipio and Catenaccio in September 2004, October 1999/September 2005 and September 2005, respectively.

Angiographic catheters and single-use accessory devices for use with intravascular catheters

Angiographic catheters are used to inject a kind of colored dye into a blood vessel which can then be viewed via a digital scanner to determine where blockages exist. Cardiologists then use this information to determine whether a stent is required and the most effective place to insert the stent. We commercially launched our angiographic catheters in June 2000 after obtaining SFDA approval in October 1999.

Single-use accessory devices for use with intravascular catheters include various accessory devices used during intravascular procedures, such as collectors and syringes. We commercially launched these devices in December 2000 after obtaining SFDA approval in the same month.

TAA/AAA stent grafts

Stent graft procedures are the primary vascular procedures for treating aneurysms. A stent graft is a metal stent covered with non-porous, waterproof film or fiber, which creates an artificial vessel wall over the aneurysm to support the blood flow and relieve pressure on the aneurysm. We manufacture and sell TAA stent grafts, Hercules T and Aegis T, which are self-expandable straight stent grafts used to treat thoracic aortic aneurysms, and AAA stent grafts, Hercules B and Aegis B, which are bifurcated self-expandable stent grafts used to treat abdominal aortic aneurysms.

We commercially launched Hercules T in July 2006 (after obtaining SFDA approval in the same month), and it has a more advanced structure and fiber than Aegis T which was launched in May 2002 (it was approved by SFDA in April 2002). Hercules T generated approximately 3.8%, 4.3%, 4.7% and 6.7% of our revenue for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively. We commercially launched Hercules B and Aegis B in September 2009 (after obtaining SFDA approval in August 2009) and July 2006 (after obtaining SFDA approval in November 2002), respectively. Aegis B is our first-generation AAA stent graft, and Hercules B is our second generation AAA stent graft which has a different structure and different fiber from Aegis B.

We expect revenue generated from our TAA/AAA stent grafts will continue to increase in 2010 and 2011 as certain governmental health insurance providers, including in the Shanghai area, have raised the reimbursement level for treatments using TAA/AAA stent grafts from 2010.

We are also conducting clinical trials for a Hercules balloon inflation catheter which is designed to be inserted and inflate after a Hercules stent is inserted in order to ensure that the stent is securely attached to the blood vessel wall and on a branched aortic stent graft designed for insertion in a specific section of the aorta.

Operational stent grafts

Our operational stent graft, Cronus, is a fiber-covered bare-metal stent which is stitched directly to a patient's aorta during surgical procedures to allow continued blood flow through the vessel. These grafts thus serve as an artificial blood vessel lining which prevents a rupture or leakage of blood. We commercially launched Cronus in September 2004 after obtaining SFDA approval in August 2004.

Intracranial stents

Intracranial stents are extremely small stents that are used to treat vascular disorders in the brain. Our first intracranial stent, Apollo, is a balloon-expandable stainless steel intracranial stent without a drug coating designed to treat brain strokes by opening up blocked or narrowed blood vessels in the brain. We commercially launched Apollo in December 2004 after obtaining SFDA approval in November 2004. Although it has generated only a small portion of our revenue to date, we expect sales of Apollo to increase rapidly in 2010 and 2011 as patients are able to obtain higher level of reimbursement from governmental health insurers for treatments using Apollo from 2010.

Willis is a fiber-covered balloon-expandable cobalt-chromium intracranial stent graft without a drug coating and treats cerebral aneurysms by preventing the bursting of blood vessels in the brain. Willis is currently in development, and we expect to commercially launch it as soon as 2011, subject to SFDA approval.

We are also developing a neurovascular self-expanding stent specifically designed to treat cerebral aneurysms. We are currently conducting animal studies for this device.

Peripheral stents

Peripheral stents are used to open blocked or narrowed blood vessels outside the heart and the brain. Crownus is a self-expandable nitinol peripheral stent without a drug coating. We received SFDA approval for Crownus in December 2009 and expect to commercially launch Crownus as soon as the last quarter of 2010.

Carotid stents

Carotid stents are used to open blocked or narrowed areas in the carotid artery in the neck area. We are currently conducting clinical trials for Taurus, which is a self-expandable nitinol carotid stent without a drug coating. Subject to the results of these trials and obtaining SFDA approval, we expect to commercially launch Taurus as soon as 2011.

Carotid artery stenting represents an emerging minimally invasive treatment for carotid artery disease and a significant alternative to endarterectomy, the traditional surgical treatment for obstructions in the carotid artery in the neck area which is more invasive than stenting.

Distal protective devices

Our distal protective device, Aether, is a retrievable device placed far away from the area where a carotid stent is being implanted to capture embolic debris released during the placement of the stent and prevent such debris from migrating to the brain, where it could cause serious harm. We commercially launched Aether in June 2007 after obtaining SFDA approval in June 2006.

Electrophysiology devices

We are currently in the process of developing electrophysiology and atrial fibrillation catheters for the treatment of arrhythmia. EP and AF catheters are designed to treat supraventricular tachycardia and atrial fibrillation diseases, which are types of irregular heartbeat conditions. We believe the market for the treatment of EP and AF in China presents a particularly significant opportunity.

FireMagic, our ablation catheter, was approved by SFDA in July 2009 and was commercially launched in July 2010. FireMagic corrects a common type of arrhythmia by threading a small tube, known as a catheter, into the heart and applying radio frequency energy to neutralize the tissue generating the irregular signals and thereby reestablish normal heart rhythm. In addition, we are currently waiting for SFDA approval for our EasyFinder diagnostic catheter which physicians can use to determine which areas of the heart are generating irregular signals. We expect to commercially launch EasyFinder as soon as the last quarter of 2010. We also have another EP catheter currently in clinical trials which is expected to be commercially launched as soon as 2011.

We are also developing technologies that will provide physicians with the ability to diagnose AF through real time three-dimensional mapping of the heart's electrical patterns. Once the electrical pattern is defined, the physicians can use the AF catheter to precisely target the tissue which is generating irregular signals.

Diabetes devices

We manufacture and sell insulin pumps and are currently in the process of developing a series of additional diabetes-related products.

Insulin pumps

Insulin pumps are used for the administration and injection of insulin into the body in the treatment of diabetes. An insulin pump consists of a pump (including controls, processing module and batteries), a disposable syringe (which is a reservoir for the insulin located inside the pump), a disposable infusion set (including a cannula for subcutaneous insertion under the skin) and a tubing system to interface the insulin reservoir to the cannula. Insulin pumps are generally worn by patients in their pockets or belts like a mobile phone or MP3. Insulin pumps calculate complex "diabetes math" and recommend precise insulin dosages to help patients manage their disease without the need for daily insulin injections by syringe. Because insulin pumps deliver precise micro-doses of insulin to the body, they assist diabetes patients in effectively controlling their glucose levels.

We have been marketing our insulin pump, La Fenice, since December 2009 (after obtaining SFDA approval in March 2009) after we acquired MP Lifesciences Beijing (previously named as Beijing Pangerui). La Fenice is an improved version of the insulin pump which Beijing Pangerui had been offering, Shengtang A, with enhanced quality and performance. We generated an insignificant amount of revenue from Shengtang A following the acquisition of Beijing Pangerui. Currently we only manufacture the pump for La Fenice. La Fenice is designed to treat Type I diabetes, as well as late-stage Type II diabetes.

We are currently waiting for SFDA approval for our proprietary disposable syringe and disposable infusion set to be used with the La Fenice pump and expect to launch these products as soon as the last quarter of 2010.

V pumps

A V Pump is a second generation insulin pump which is designed to have enhanced reliability and a more convenient design compared to La Fenice. We are currently conducting research and development on V Pump, and subject to the results of clinical trials and SFDA approval, expect to commercially launch it as soon as 2012.

Patch insulin pumps

A patch insulin pump is a self-contained insulin dosage system that delivers insulin to the patient through a convenient-to-use patch that is stuck onto the skin and inserts a very small needle into the skin. By delivering the insulin via a patch, the patient does not need to handle cumbersome tubes and cannulas which can interfere with everyday activities such as bathing and exercising. We are currently in the process of conducting research and development on patch insulin pumps.

Infusion pumps

Leveraging on our development and technologies in insulin pumps, we are currently developing infusion pumps for the delivery of other pharmaceuticals into patients. Our first infusion pump product is designed to deliver medicine for the treatment of Kallmann syndrome, which is a rare hormonal disorder and affects predominantly men but can also affect women. Typical characteristics of Kallmann syndrome are a failure to go through puberty and an absent sense of smell. We are currently conducting clinical trials for this infusion pump, and subject to the results of these trials and SFDA approval, we expect to commercially launch it as soon as 2011.

Orthopedic devices

Our orthopedic devices include titanium braces and brackets in various shapes to immobilize and/or stabilize vertebrae in the spine. Such products are often required following an injury or as a result of aging. Our orthopedic devices in development include a posterior spinal fixation system which immobilizes and stabilizes spinal segments in adults as an adjunct to surgery to fuse together vertebrae in the treatment of acute or chronic instability or deformity of the areas of the spine known as thoracic (mid- and upper-back), lumbar (lower back) and sacral (bottom of the spine), as well as devices to stabilize two cervical vertebrae (neck area of the spine) or two thoracic and lumbar vertebrae during fusion surgery. We are also developing an anterior cervical plate system which is a semi-rigid system bolted into cervical vertebrae to treat degeneration, trauma (such as fractures) and tumors involving such vertebrae and other devices for the stabilization of the cervical, thoracic and lumbar spinal areas.

We expect to commercially launch our posterior spinal fixation system as soon as 2012 and our other orthopedic products after 2012.

Pacemakers

Pacemakers are used to regulate the beating of the heart and to maintain an adequate heart rate in cases where the heart's native pacemaker is not fast enough. We are initiating research into the development of pacemakers.

RESEARCH AND DEVELOPMENT

We believe that the success of our operations has depended and will continue to depend to a large extent on our ability to develop new or improved medical devices. We have a proven track record of independently developing and commercializing new or improved medical devices. We internally developed all of the cardiovascular and other vascular devices and an EP ablation catheter we currently offer, including Firebird and Firebird 2 drug-eluting stents, from which we generated a substantial portion of our revenue during the Track Record Period, our increasingly utilized line of TAA and AAA stents, called Hercules and Aegis, as well as our intracranial stent, Apollo, and numerous other devices as described above. Recently, we received SFDA approval for our first EP device, FireMagic, and have commercially launched it in China.

As of the Latest Practicable Date, we also had an additional 28 products in various stages of development, including our third generation drug-eluting stent, Firehawk, for which we are currently conducting clinical trials and expect to commercially launch as soon as 2013, subject to the results of the clinical trials and SFDA approval. We have successfully completed the first stage of human trials, involving 20 patients, and commenced the second stage of the trials involving approximately 500 patients. We expect that these trials will ultimately include approximately 1,000 patients in total over three stages. We also anticipate that our other vascular, electrophysiology and diabetes devices currently being developed will contribute to our future growth, including the following:

- EasyFinder fixed curved diagnostic catheter (EP device), disposable infusion set for insulin pump (diabetes device) and disposable syringe for insulin pump (diabetes device) — SFDA approval applications have been submitted for each of these three products, and they are currently in the technical review stage with SFDA. We expect that they may be commercially launched as soon as 2010.

- Willis intracranial stent graft (other vascular device) — this is also in technical review with SFDA, and we expect that it may be commercially launched as soon as 2011.

- Taurus carotid stent (other vascular device) — the clinical trials for this stent have been completed and the SFDA approval application was submitted in August 2010. We expect that we may be able to commercially launch this product as soon as 2011.

- EP circular diagnostic catheter (EP device) — the clinical trials for this stent have recently been completed and we are in the process of preparing the report showing the relevant pre-clinical and clinical data to be submitted to the Shanghai SFDA office. We expect that we may be able to commercially launch this product as soon as 2011.

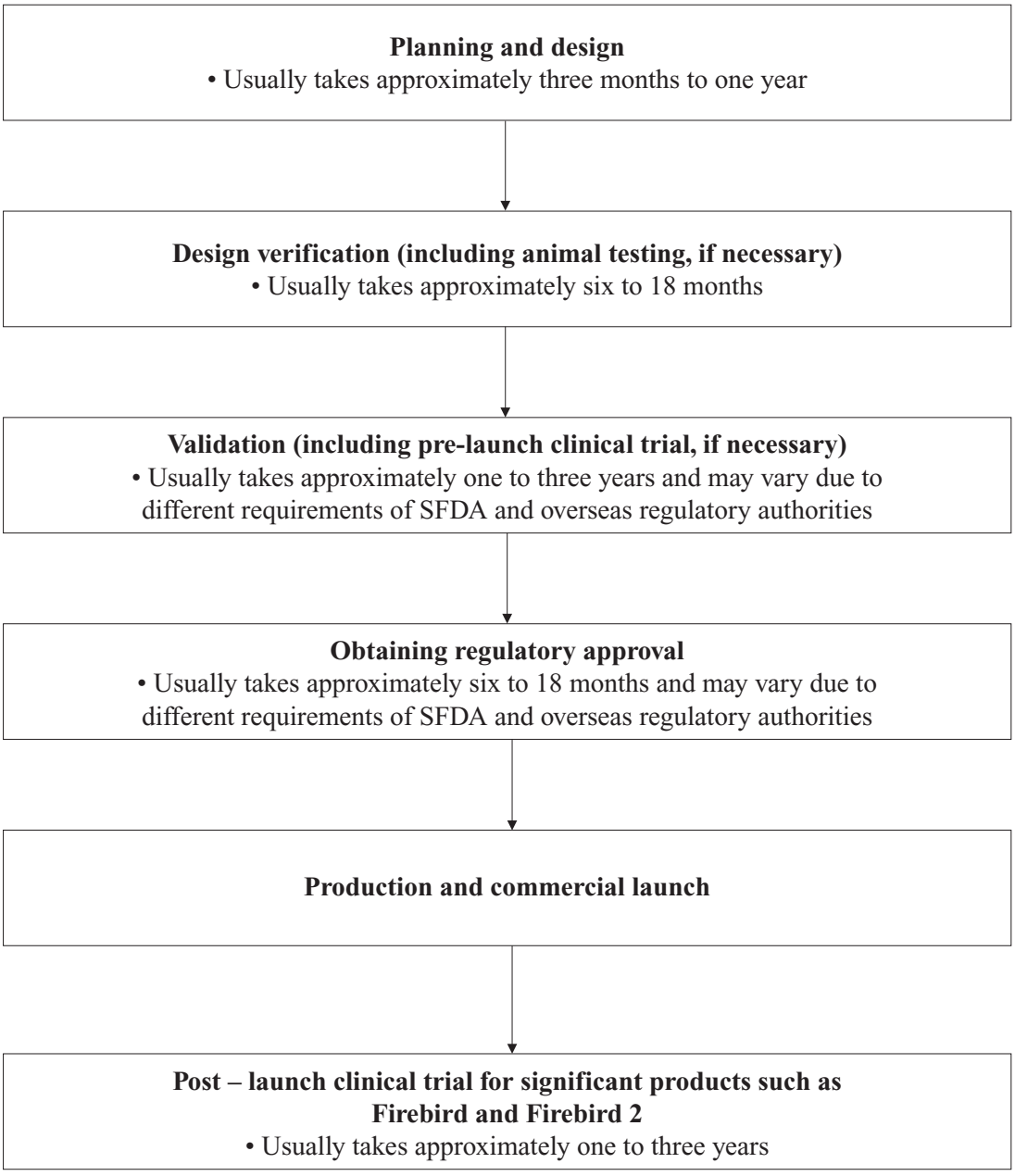
- Firebird 2 long (cardiovascular device) — the clinical trials for this stent have recently been completed and we are in the process of preparing the report showing the relevant pre-clinical and clinical data to be submitted to the Shanghai SFDA office. We expect that we may be able to commercially launch this product as soon as 2012.

- V Pump (diabetes device) — our research and development team is currently working on a prototype for this second generation insulin pump and testing it internally. We anticipate commencing clinical trials for this product as soon as 2011.

In addition to the foregoing, we have numerous other medical devices in various stages of development which we believe will contribute to our future growth, including a patch insulin pump and various orthopedic devices for which prototypes are in development and testing, as set forth in "— Product development pipeline" above. We have conducted, and expect to continue to conduct, all our research and development activities independently within our own Group, without any assistance from or involvement of our Controlling Shareholder. Our Directors are of the view that our proven track record of developing and successfully conducting large-scale clinical trials for and commercializing such a wide range of medical devices, and our current pipeline of products in development, demonstrate that we have sufficient research and development capabilities to generate future growth for our business.

During the Track Record Period, we focused our research and development activities primarily on our vascular and EP products, as well as, to a lesser extent, orthopedic and diabetes products. We expect to continue focusing on these products, as well as pacemakers, in 2010 and 2011.

Our development process for a new product is typically as follows:



We believe that we maintain one of the largest highly skilled teams of research and development engineers and technicians in the medical device industry in China. We have a dedicated research and development department divided into sub-groups which each focuses on a particular line of products. As of the Latest Practicable Date, we had eight sub-groups which focus on cardiovascular devices, diabetes devices, orthopedic devices, EP devices, peripheral vascular and neurovascular devices, stent graft devices, pacemakers and other vascular devices such as our distal protective device, plus a sub-group that provides support for all of our research and development activities. Our research and development department is led by our chief technology officer, with the support of a research and development director and manager-level professionals and various engineers and technicians for each sub-group that focuses on a particular line of products. As of March 31, 2010, there were 170 employees in our research and development department, which accounted for 14.2% of our employees, of which 81 employees possess a masters or doctorate degree and 47 employees possess a

bachelor degree. We believe that we are able to attract highly qualified personnel who have the requisite educational or technical backgrounds we need for our operations due to the reputation of our senior management and our market position in China in the interventional technology area.

The cornerstone of our research and development platform is a core team of experienced engineers, many of whom were trained and held leadership roles at many of the major medical device companies in the world. Each of our engineers focuses primarily on one product application and is involved in the entire research and development process from product design to testing and regulatory approval. Our engineers also have regular contact with the major hospitals which use our products, providing them with real-time information regarding their needs. This understanding of the entire product development process and customer needs provides a strong, flexible engineering platform which can be used to quickly develop innovative products for a wide range of medical device applications. Leveraging on our extensive experience in developing devices for interventional cardiology and other vascular diseases, our engineers have extended their research and development into a range of other areas, including devices for the treatment of arrhythmia, diabetes and orthopedic disorders, as well as pacemakers.

Our research and development costs consist primarily of, among other things, salaries, bonuses and related expenses for personnel engaged in research and development, and purchases of supplies and materials used in our research and development projects. Our research and development costs were RMB54.2 million, RMB59.4 million, RMB86.4 million and RMB25.3 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, representing 12.9%, 12.2%, 15.4% and 14.3% of our revenue for those periods, respectively. We have been awarded numerous government grants from time to time in connection with our research and development projects, typically in the form of interest-free loans, interest-reduced loans and subsidies. We recognized government grant income of RMB10.7 million, RMB11.3 million, RMB14.7 million and RMB0.07 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively.

Our products have won a number of awards in China in recognition of, among other things, the innovation and technology advancement involved in our development of various products. For example, in 2006, the Shanghai Municipal Government granted us the second class science and technology improvement award for our design and manufacturing of TAA/AAA products. In 2007, the State Council granted us the second class science and technology improvement award for our design and manufacturing of drug-eluting stents. In 2008, we were granted a Shanghai focus new product certificate for Firebird 2 by the Shanghai Municipal Science and Technology Commission. In 2009, we were granted a proprietary innovative product certificate for our drug-eluting stent by MOST. In 2009, we were also granted proprietary innovative product certificates for our operational stent graft system, drug-eluting cobalt-chromium stent system, Apollo intracranial stent system and Hercules AAA stent graft system jointly by three Shanghai municipal governmental authorities. In addition, in 2008, we were granted the Shanghai science and technology small giant enterprise award jointly by two Shanghai municipal governmental agencies, and we have been recognized as a high and new technology enterprise jointly by four Shanghai municipal governmental agencies since 2001, both in recognition of our achievements in the area of research and development.

We often collaborate with major hospitals and universities in China in the research and development of our products, in particular for the conduct of animal tests and provision of suggestions to improve our products. We generally enter into written or on occasion oral agreements with these hospitals and universities, the terms and conditions of which may vary from project to project and are determined following arm's length discussions. Typically, we pay the cooperating party an agreed amount of fees based on the scale of the project, and the cooperating party is responsible for the conduct of the project and providing updates and reports to us. Ownership of the intellectual property rights, if any, arising in connection with the project are usually retained by us. However, during the Track Record Period, such collaborations focused on the testing and development of

technologies we developed and did not involve the creation of any new intellectual property. Generally, we have the right to terminate the agreement if the cooperating party fails to conduct the project on schedule.

For example, our research and development personnel worked together with doctors at Fu Wai Hospital, which is well-known in China for interventional procedures, in the development of Firebird 2, which we launched commercially in January 2009. This project involved doctors at Fu Wai Hospital conducting animal tests for us and providing updates and reports to us pursuant to an oral agreement. We paid Fu Wai Hospital an agreed amount of fees determined based on the scale of the animal tests. We are also working together with doctors at Shanghai Sixth People's Hospital, which is a major hospital in the treatment of aneurysms in Shanghai, in the development of our proprietary stent graft for the treatment of aneurysm in aortic and cerebral arteries. Pursuant to our contractual agreement, doctors at Shanghai Sixth People's Hospital are responsible for conducting animal tests and clinical trials and providing updates or reports to us. We are responsible for the provision of materials and fees for research and development, registration with SFDA and manufacturing and selling of the product being developed. Ownership of the intellectual property rights to the product developed as part of this project will be held jointly by us and the hospital, and we will share the profits from the sales of such product with the hospital.

CLINICAL TRIALS

Our research and development team has significant experience in conducting clinical trials for our products. We conduct clinical trials of our new products in order to obtain the requisite regulatory approvals and collect post-procedure data following such approvals that can be used to improve, and enhance the marketing of, our products. In addition, clinical data is an important marketing tool for increasing credibility for our brand. The goal of a clinical trial is to measure the clinical efficacy and safety of a device that is the basis for the regulatory body's approval. Primary parameters for clinical trials are selected based on the intended use of the medical device. Although clinical trial metrics are measurements at an individual patient level, the results are extrapolated to entire populations of patients based on clinical similarities to patients in the clinical trials.

SFDA maintains a catalog of hospitals that it has approved as clinical trial centers, from which we select a number of hospitals with the desirable expertise, patient samples, technology and equipment to conduct our clinical trials. Animal tests are required for certain medical devices and clinical trial centers usually require them for high-risk products prior to conducting trials on patients. After we have selected clinical trial centers and, if required, completed animal tests, we will prepare a clinical trial protocol plan that describes in detail the goal of the clinical trial, the risks involved, the overall design of the trial and the methods and procedures of the trial. We will also organize a meeting with the participating hospitals to discuss the purposes and requirements of the clinical trial, as well as to select hospitals acting as the principal investigators for the clinical trial, which typically consist of the largest and best-equipped two or three out of all the participating hospitals. Following such meeting, we will submit to the ethics committee of each of the participating hospitals our clinical trial protocol plan, our drafts of the informed consent documents to be filled out by patients and case report forms to be completed by investigators supervising the clinical trial, as well as our agreements with the hospitals to perform the clinical trial. The ethics committees may ask us to revise the clinical trial protocol or other documents before approval. During the clinical trial, our clinical specialists will monitor the use of our products pursuant to the approved clinical trial protocol during the procedures and patients' reactions to the products following the procedures and check relevant clinical data for us. At the end of the clinical trial, the principal investigators will gather case report forms from all participating hospitals, submit these case report forms to core laboratories and data statistic centers for data handling, prepare formal reports of the results of the clinical trial and submit them to SFDA.

Recently, SFDA has required more extensive clinical trials, which has significantly increased the time and expense required to obtain approval. For example, the approval of our first drug-eluting stent, Firebird,

involved clinical trials on approximately 100 patients and took approximately nine months. In contrast, the clinical trials for our third generation drug-eluting stent, Firehawk, which are currently being conducted, are expected to involve approximately 1,000 patients over three stages, and if such trials are successful, we anticipate that we may be able to obtain SFDA approval within three years from the commencement of clinical trials. While this extended approval process creates barriers to entry for competitors who want to obtain approval for new products that compete with our existing product lines, particularly Firebird 2, it will also significantly increase our product development costs for our newer products.

We have conducted various clinical trials for Firebird, including Firebird in China and Fireman, two multi-center, nationwide studies, and other clinical trials to evaluate the safety and efficacy of Firebird. In addition, we are engaged in Focus, a multi-center, nationwide study to evaluate the safety and efficacy of Firebird 2.

In each of these studies, we assess the safety and efficacy of our products by measuring key quantitative clinical criteria which are commonly used by international drug-eluting stent manufacturers in their own clinical studies, including measuring the incidence among patients of major adverse cardiac events (e.g., cardiac death or non-fatal myocardial infarction) resulting from the use of Firebird, restenosis at the location in the vessel where the stent was inserted (known as target lesion revascularization) and, in the case of Fireman, restenosis in other portions of the blood vessel into which the stent was inserted (known as target vessel revascularization). The specific safety and efficacy targets established in our clinical trial protocols for each of these criteria are consistent with those used by our international competitors.

Firebird in China ("FIC") was sponsored by the Chinese Society of Cardiology, and its objective was to assess the efficacy and safety of Firebird. FIC is what is known in the industry as a "real world" clinical study, meaning that patients with different medical histories and risk profiles were randomly enrolled, and in total 1,561 patients from 29 cardiology centers across China participated in FIC. We have presented the one-month results, six-month results and twelve-month results of this study, and also conducted angiographic follow-up examinations of approximately 750 patients nine months after FIC commenced. The final results of FIC were presented in March 2007, and we achieved our safety and efficacy targets established in the clinical trial protocol. FIC was the first post-launch clinical trial in stent industry ever conducted by a China-based medical device company.

Fireman is conducted through CCRF Consulting Co., Ltd. (previously named as CCheart Consulting Co., Ltd.), which is an independent clinical research organization. Its objective is to assess the medium to long term efficacy and safety of Firebird in treating complex coronary artery lesions. The Fireman study began in January 2007 and enrolled 1,029 patients from 45 cardiology centers across China, with a focus on high risk patients, including patients with particularly small blood vessels, long areas of blocked blood vessels and/or diabetes. We have presented the hospitalized-period results, one-month results, six-month results, eight-month results, twelve-month results, eighteen-month results, twenty-four month results and thirty-month results of this study, which indicated that we achieved our safety and efficacy targets established in the clinical trial protocol. The thirty-six-month results and final results of Fireman are anticipated to be available by the end of 2010.

Focus is conducted through CCRF Consulting Co., Ltd., and its objective is to assess the clinical effects of Firebird 2. The Focus study began in April 2009 and, as of February 2010, enrolled 5,084 "real world" patients from 80 cardiology centers across China. The one-month results of Focus were presented in March 2010, which indicated that we achieved our safety and efficacy targets established in the clinical trial protocol, and we expect to have six-month results, twelve-month results, twenty-four-month results and thirty-six-month results for this study. The final results of Focus are anticipated to be available after 2012.

In March 2010, we commenced a second post-launch clinical study through CCRF Consulting Co., Ltd. for Firebird 2 involving up to 1,000 patients and focusing on the long-term effects of the product in high risk

patients. This clinical study is expected to be completed by April 2014 and involve a cost to us of approximately RMB4.5 million.

For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we incurred costs of RMB8.7 million, RMB7.4 million, RMB16.2 million and RMB1.9 million in connection with the conduct of clinical trials, respectively.

SALES, MARKETING AND DISTRIBUTION NETWORK

We primarily sell and market our products in China and export our products, including Firebird, Firebird 2, Mustang, Tango, Scipio, Jive, Catenaccio, Hercules T and Hercules B outside of China to more than 20 countries in the Asia Pacific region (excluding China), South America and Europe. We generated 10.2%, 10.7%, 10.6% and 7.0% of our revenue from international markets for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively.

We use a combination of our own marketing teams and a network of independent distributors to market and sell our products in China. Our highly trained marketing teams focus on continuously interacting with physicians to educate them about, and train them in the use of, our products. Such interaction is fostered through regular visits to interventional cardiologists, radiologists, vascular surgeons and physicians by our marketing teams, on-site demonstration of our products to physicians, our sponsorship of conferences, seminars and physician education programs and other activities. Although patients are the end users of our products, physicians and purchasing departments of hospitals decide what products to stock and physicians typically recommend to patients what products to use. We find that, as physicians become more knowledgeable and experienced with our products, they will be much more likely to recommend our products, thereby forming a powerful extension of our marketing efforts. In addition to accelerating market awareness and adoption of our products, our communications with physicians also provide us with continual feedback on our products and trends in the market which helps guide our research and development projects. In our marketing efforts, we primarily target large and medium sized hospitals in China, especially Tier III hospitals, which have more resources to perform interventional procedures than smaller hospitals. At the same time, we have been increasing our marketing efforts to Tier II and Tier I hospitals, which are usually covered by our distributors who usually have better relationships with smaller to medium sized hospitals. In 2009, over 1,100 hospitals in China purchased our products through distributors, which comprised mainly Tier III and, to a lesser extent, Tier II hospitals. We plan to expand our marketing teams and utilize our established relationships with hospitals and doctors to increase demand for our products from hospitals.

In line with market practice, we sell all of our products to distributors who then resell our products to hospitals, except for a minimal amount of TAA/AAA stent grafts which were sold directly to hospitals in 2007 and accounted for 0.2% of our revenue for that year. Our distributors make sales to hospitals including delivery of products and collection of payments, and conduct their own marketing of our products through their sales forces. Revenue from sales represents the invoiced value of goods, net of VAT, trade discounts, allowances and rebates. We recognize revenue when the customer takes ownership and assumes the risk of loss. For sales through distributors, transfer of ownership occurs at the time when our products are shipped or picked up by the distributors from our facility without any recourse. For direct sales to hospitals, transfer of ownership occurs at the time when our products have been implanted or used during surgical procedures.

Sales and marketing

In addition to the sales activities of our distributors, we also market our products directly to hospitals. As of March 31, 2010, our marketing and sales department had 132 employees dedicated to marketing and managing and supporting our distributors. Our marketing and sales department consists of sub-groups which each focuses on a particular line of products, and covers both domestic and international markets.

Because purchasing departments of hospitals and physicians are key decision makers with respect to our products, our marketing employees visit these purchasing personnel and doctors in the hospitals to educate them about our products and to introduce our new products. Our marketing employees also attend various medical conferences and seminars organized by hospitals and other medical professional organizations to promote our products, as well as participate in exhibitions and trade shows of medical devices. In addition, they gather market information on the competitive landscape and user feedback on the performance of our products as compared with our competitors' products. We also sponsor doctors' conferences and education programs. As part of our marketing campaign for a new product, we will invite on occasion well-known physicians to perform a medical procedure using the new product in public demonstrations for other doctors. We also advertise our products in industry and trade magazines and other publications.

After the commercial launch of a principal product, we will often conduct post-launch clinical studies with hospitals to demonstrate the efficacy of such product and support our marketing efforts. Our marketing staff initiate and supervise such studies. See "— Clinical trials" above.

Because TAA/AAA stent grafts involve relatively new technology, we provide technical support to hospitals and physicians through our marketing personnel. Our marketing and technical support personnel study patients' angiographs together with physicians and help determine if interventional procedures are suitable for the patients and, if so, the model and size of the stent grafts to be used and if they need to be specifically made to order. Our marketing and technical support personnel sometimes observe TAA/AAA stent grafting procedures using our products and provide information during such procedures in order to help physicians understand the characteristics of our products. They also follow up with physicians after the procedures to collect data on the performance of our products. These training and educational activities also extend to doctors outside of China. For example, we hosted a group of doctors from Argentina and Brazil in September 2009 for training in the features and uses of our TAA/AAA stent grafts.

We set annual and quarterly sales targets at the beginning of each year and each quarter. On a monthly basis, we assess information our marketing personnel gather from hospitals on the number of implantations of our stents, and adjust our sales forecasts accordingly. We base our sales projections solely on the implantation rate of our products and not on purchase orders from hospitals or our distributors. We believe that the use of implantation rates allows us to more accurately predict market demand for our products.

Distribution network

In line with market practice, we sell all of our products to distributors who then resell our products to hospitals, except for a minimal amount of TAA/AAA stent grafts which were sold directly to hospitals in 2007 and accounted for 0.2% of our revenue for that year. We had 54, 91, 142 and 147 domestic and international distributors as of December 31, 2007, 2008 and 2009 and March 31, 2010, respectively, all of which are independent distributors except for MP B.V. and a few international distributors who are affiliates of Otsuka Pharmaceutical. We do not have management control over these independent distributors. The following table sets forth the number of our domestic and international distributors as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
Domestic distributors	45	69	120	125
International distributors	9	22	22	22
Total	54	91	142	147

Domestic distributors

We generally enter into distribution agreements with our distributors in China for a one-year term which are renewable by mutual agreement. We set monthly purchase order targets and prices before the beginning of the year with our distributors, and our distributors usually place orders from us on a weekly basis based on expected customer demand. We generally require our distributors to meet the monthly purchase order targets, and if a distributor fails to meet its purchase order targets for two consecutive months, we have the right to, among other things, raise the price of our products, cease supply of our products to the distributor or terminate the agreement with such distributor. We collect and review monthly implantation data of our products from distributors and conduct an annual assessment of the inventory levels of our principal distributors to ensure that our distributors are on-selling our products to hospitals and not building up excessive inventories. Our distributors are responsible for collecting payments from hospitals, and have to make payments to us for the products regardless of whether they receive payments for the products from the hospitals. Each of our distributors has its own sales force that focuses on marketing in its particular territory.

Our distributors are primarily engaged in the medical device distribution business. We select our distributors based on their experience in the medical device industry, particularly in cardiovascular devices, and logistical infrastructure. In addition, they must possess the requisite business licenses and permits to sell medical devices in China and have established relationships with hospitals and physicians within their territory. Before we appoint a distributor, we assess its sales staff and management to ensure that they have the appropriate educational background and professional skills. We review the qualifications of our distributors when our contracts with them are due to be renewed.

Pursuant to our contractual arrangements, our distributors may not distribute any other manufacturer's products that directly compete with ours, but they are free to distribute other products, including medical devices, that we do not manufacture. Typically, our distributors sell only one category of our products. Our distributors usually have no right to return our products. We offer exchanges for any product that is found to have defective interior packaging within three days of the customer discovering such defect, but not refunds. We also replace certain expired products with effective unexpired products, but not refunds. The grant of such replacement arrangement for expired products to distributors would depend largely on the following factors: (i) the operations scale and performance of the particular distributor, (ii) the history of cooperation between the distributor and our Group, (iii) the degree of business trust between the distributor and our Group, and (iv) the effectiveness period of the products being distributed. We are responsible for any product liability claims. Typically, our contracts with distributors can be terminated by either party with 30-day prior notice upon a breach of the contract by the other party. We also have the right to terminate the contract immediately upon the occurrence of certain events including when distributors distribute our products outside their respective region, distribute any other manufacturer's products that directly compete with ours, or fail to meet the monthly sales targets for two consecutive months. In addition, our agreements with our distributors explicitly provide that they must comply with all applicable laws and regulations in the PRC and they may not use any payments or other means prohibited under PRC law to promote or sell our products. We will be entitled to terminate our relationship with them if they violate any applicable laws and regulations in the PRC or engage in such activities.

We review each of our distributors annually based on purchase order targets set before the beginning of the year and on feedback we receive from physicians regarding the quality of such distributor's services. Our marketing and sales department (which had 132 employees as of March 31, 2010) monitors, manages and supports the activities of our distributors to ensure that they comply with our guidelines, policies and procedures. See "Risk Factors — Risks related to our Company — Our business, prospects and brand may be harmed by actions taken by our distributors." in this prospectus.

We typically provide our principal distributors with proven credit history a credit term of 30 to 90 days, which may be extended to 180 days, and do not require them to pay us a portion of the purchase price upon their

placement of an order. For other distributors, depending on our relationship with such distributors and their credit history, we typically allow them to pay 50% of the purchase price upon placement of an order with the remaining 50% due within 30 to 90 days of our delivery of the product, or ask them to pay the entire purchase price at the time of purchase. We typically require new distributors of our products to pay the entire purchase price at the time of purchase. Generally, we classify distributors with large sales volumes, proven credit histories and/or strong market positions and reputation with whom we believe we can develop long-term relationships as principal distributors and the remaining distributors as other distributors. We evaluate the classification approximately every six months.

We divide the China market primarily into four major geographical regions: the northern region, the eastern region, the southern region and the southwestern region. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we derived approximately 62.3%, 58.7%, 54.1% and 55.6% of our revenue, respectively, from the northern region. As of March 31, 2010, we had 125 domestic distributors, of which approximately 40% cover the northern region. Our distributors generally cover a particular region and may not distribute our products outside their respective region without mutual consent. Depending on the size of the region and our market penetration, we typically have several distributors operating in the same territory within a particular region in China.

The following table sets forth the number of our principal and other distributors in China by geographic regions for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010.

	Year ended December 31,						Three months ended March 31,	
	2007		2008		2009		2010	
	Principal distributors	Other distributors	Principal distributors	Other distributors	Principal distributors	Other distributors	Principal distributors	Other distributors
Northern region								
Beginning of the year	2	9	2	15	2	24	2	45
Number of new distributors	0	6	0	9	0	23	0	6
Number of terminated distributors	0	0	0	0	0	2	0	4
End of the period	**2**	**15**	**2**	**24**	**2**	**45**	**2**	**47**
Eastern region								
Beginning of the year	1	12	1	15	1	26	1	45
Number of new distributors	0	3	0	12	0	23	0	3
Number of terminated distributors	0	0	0	1	0	4	0	3
End of the period	**1**	**15**	**1**	**26**	**1**	**45**	**1**	**45**
Southern region								
Beginning of the year	1	3	1	4	1	8	1	13
Number of new distributors	0	1	0	4	0	5	0	4
Number of terminated distributors	0	0	0	0	0	0	0	2
End of the period	**1**	**4**	**1**	**8**	**1**	**13**	**1**	**15**
Southwestern region								
Beginning of the year	0	4	0	7	0	7	0	13
Number of new distributors	0	3	0	1	0	6	0	1
Number of terminated distributors	0	0	0	1	0	0	0	0
End of the period	**0**	**7**	**0**	**7**	**0**	**13**	**0**	**14**
Total								
Beginning of the year	4	28	4	41	4	65	4	116
Number of new distributors	0	13	0	26	0	57	0	14
Number of terminated distributors	0	0	0	2	0	6	0	9
End of the period	**4**	**41**	**4**	**65**	**4**	**116**	**4**	**121**

International distributors

We sell all of our products in the international markets through distributors. As of March 31, 2010, we had 22 international distributors, including MP B.V. and a few distributors covering certain countries in the Asia

Pacific region (excluding China) on an exclusive distribution arrangement basis which are affiliates of Otsuka Pharmaceutical. We generally enter into exclusive distribution agreements with these distributors for a term of five years, except for our exclusive distribution agreement in Japan which has a term of ten years, subject to automatic renewal of successive one-year terms unless earlier terminated by the parties. Each such distributor is the exclusive distributor of a category of our products for the specific country covered by it and has a right of first refusal with regard to our other vascular products to be distributed in the specific country. These distributors may not manufacture, purchase or sell in the specific country any products that directly compete with the products they distribute for us. We set annual purchase order targets and prices with these distributors, and they are required to provide us quarterly with a four quarter rolling forecast showing their expected orders for our products. If these distributors fail to meet the annual purchase order targets, we have the right to change the arrangement into a non-exclusive distributorship for the next year. If these distributors continue to fail to meet the annual purchase order targets, we have the right to terminate the contract with written notice. We are responsible for any product liability claims. Typically, these contracts can be terminated by either party with 30-day prior notice upon a material breach of the contract by the other party. Our selection criteria, and management and credit policies for international distributors are similar to that for domestic distributors.

Relationship with distributors

During the Track Record Period, there was no material breach of contract terms by our distributors except for a distributor which failed to renew its requisite business license and as a result of which we did not renew our agreement with this distributor upon its expiration, and we did not have any material disputes with our distributors. In addition, we terminated our agreements with a few distributors during the Track Record Period primarily because these distributors failed to meet their monthly purchase order targets. We have established long-term relationships of four to five years with most of our principal distributors. We generally have had relationships with our other distributors ranging from one to three years. Our average turnover days of trade receivable for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010 were 100 days, 91 days, 74 days and 75 days, respectively.

We have been dependent on a limited number of distributors for a significant portion of our revenue. For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, the aggregate sales to our five largest distributors were RMB244.6 million, RMB265.4 million, RMB263.2 million and RMB96.5 million, representing 58.1%, 54.7%, 46.9% and 54.6% of our revenue, respectively. Sales to our largest distributor for the same periods were RMB102.5 million, RMB106.4 million, RMB98.5 million and RMB39.2 million, representing 24.3%, 21.9%, 17.6% and 22.2% of our revenue, respectively. We believe that we will continue to generate a significant portion of our revenue from a limited number of distributors. See "Risk Factors — Risks related to our Company — We depend on a limited number of distributors for a significant portion of our revenue. If we lose one or more of these distributors and are unable to replace them quickly, we may be unable to effectively market and sell our products, which could materially and adversely affect our business, financial condition and results of operation." in this prospectus.

As our distributors are independent third parties, other than MP B.V. and a few international distributors who are affiliates of Otsuka Pharmaceutical, we have limited ability to manage the activities of such distributors. They could take one or more actions that breach our agreements with them, breach applicable laws or both. In that case, we have the right to terminate our contract with the breaching distributor, but any termination, particularly of one of our larger distributors, could materially disrupt our sales. We could also be subject to legal action and damages or fines for the conduct of our distributors, and our reputation could be adversely affected. It is also possible that the PRC government or other governmental authorities in countries where we sell our products could adopt new or different regulations affecting the way in which medical devices are sold to address anti-corruption or other concerns. Although we are not aware of any new regulations in this regard being adopted in the PRC or our other principal markets, any such new or different regulations could possibly increase the cost

incurred by our distributors in selling our products or impose restrictions on their sales and marketing activities, which could in turn increase our cost if, for example, it becomes necessary for us to commence selling our products directly to hospitals. Because we currently depend entirely on distributors for the sale of our products, any misconduct by our distributors or changes in the regulatory environment for the sale of medical devices could have a material adverse impact on our business, financial condition and results of operation. See "Risk Factors — Risks Related to Our Company — Our business, prospects and brand may be harmed by the actions taken by our distributors."

None of our Directors or their associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five percent of our issued share capital, have any interest in any of our five largest distributors.

Customer service

We have a dedicated customer service department that handles customer complaints and customer queries. If we receive a complaint about any of our products, our customer service department will forward the complaint to our quality and regulatory affairs department for further analysis. If our quality and regulatory affairs department determines that an incident involving our product constitutes a major adverse event under SFDA regulations, it will report the incident to SFDA. We also maintain a hotline to answer questions from hospitals, physicians and patients regarding our products.

PRICING

In China, the government maintains a high level of involvement in the determination of retail prices (i.e., the prices paid by public hospitals and healthcare institutions to distributors or medical device manufacturers, as the case may be) of medical devices, and public hospitals and healthcare institutions are required to purchase high value medical supplies, including our vascular products, at prices established through a periodic tender process. MOH periodically publishes lists of which medical devices are subject to the tender process, with the criteria being the value of the device (higher value devices are included and lower value devices are excluded from the lists). Since we commercially launched our first drug-eluting stent, Firebird, in 2004, the tender process has occurred at irregular intervals, and at each tender, the retail prices of all tendered products, including our products, have been reduced. For further details regarding the tender process, please see "Risk Factors — Risks related to our industry — As part of its regulation of the medical industry, the PRC government has imposed reductions in the retail prices of our products periodically in the past and is expected to continue to do so. Ongoing decreases in the retail prices of our products or limitations on the profit margins we earn could materially and adversely affect our business, financial condition and results of operation." and "Regulations — Pricing and tender process" in this prospectus.

The PRC government generally sets, through the tender process and as shown in the lists of medical devices subject to the tender process published by MOH, higher retail prices (i.e., the prices paid by public hospitals and healthcare institutions to distributors or medical device manufacturers, as the case may be) for medical devices manufactured by international companies than those manufactured by domestic companies taking into account the lower production costs of domestic companies. Accordingly, the retail prices of our products in China, as with those of our domestic competitors' products, are generally lower than those of international competitors. According to Frost & Sullivan, our Company had a market share, in terms of the number of stents implanted, of approximately 26.6%, 28.7% and 28.9% of all coronary stents implanted in China in 2007, 2008 and 2009, respectively, which was the largest market share among all companies (domestic and international) manufacturing and/or selling drug-eluting stents in China in each of those years. We also had the leading market share, in terms of revenue based on retail prices charged by hospitals, of approximately 25.1% of all coronary stents implanted in China in 2009. Within the PRC market for minimally invasive interventional products such as ours, we primarily focus our marketing efforts on the same market segment as most of our

domestic and international competitors, namely large and medium sized hospitals in China, especially Tier III hospitals, which have more resources to perform interventional procedures than smaller hospitals. In addition, although the pricing of our products is lower than that of our international competitors, our products are designed to be comparable to those of our international competitors in terms of quality, and as discussed above under "— Clinical trials," the safety and efficacy targets established in the protocols for our Firebird in China, Fireman and Focus clinical trials for Firebird and Firebird 2 are consistent with those used by our international competitors.

RAW MATERIALS AND SUPPLIERS

Our principal raw materials are sirolimus for the coating of our Firebird and Firebird 2 stents and plastic tubes and plastic pellets, which we melt to make our own plastic tubes, in each case for use in catheter devices. We also purchase various chemicals which we use to prepare our polymers and solvents, as well as tantalum markers and metal tubes for our stents. In line with market practice, we source a majority of our principal raw materials from international markets, including Europe, the United States and Hong Kong, with the remainder purchased in China. Our principal raw materials also include packaging materials which we procure from domestic suppliers. As of December 31, 2007, 2008 and 2009 and March 31, 2010, we had a total of 37, 48, 74 and 93 suppliers of different raw materials for our production.

We primarily use a limited number of suppliers for our principal raw materials, although there are alternate suppliers available for most of such materials. We generally enter into (i) framework agreements, which are renewed automatically every year unless terminated or amended by the parties, pursuant to which we place orders from time to time, or (ii) annual supply agreements which are renewed annually upon mutual agreement of the parties, with our principal suppliers. For framework agreements, we set a range of prices based on the volume of purchases, and the actual purchase price and amount vary from order to order. For annual supply agreements, purchase prices and amounts of raw materials are fixed. All raw materials delivered by suppliers to us are inspected before acceptance to ensure that they comply with our raw material standards. In line with market practice, our principal suppliers usually provide us a credit term of 30 to 60 days, and we also make prepayments. Our average turnover days of trade payable for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010 were 11 days, 21 days, 23 days and 27 days, respectively.

Our planning department manages our inventory levels by monitoring in real time our production activities and incoming sales orders and also taking into consideration any emerging trends in customer buying habits through discussions with our marketing department. Based on this information, the planning department develops a production and inventory plan, which is updated on a weekly basis, and places orders with suppliers for any inventory which is expected to decline below targeted levels. For some of our raw materials, such as packaging materials, our specification standards are higher than the industry norm and SFDA requirements due to our commitment to achieve the highest possible product quality. This limits the number of suitable suppliers who can achieve these standards.

In the long term, we plan to gradually reduce the number of our suppliers and focus on deepening our relationships with our remaining suppliers to ensure that they provide us with raw materials that meet our product standards. We also intend to increase our in-house production of plastic tubes which are used for catheter devices.

For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, the aggregate purchases from our five largest suppliers were RMB13.2 million, RMB27.6 million, RMB28.2 million and RMB12.4 million, representing 21.9%, 31.5%, 36.1% and 54.6% of our cost of sales, respectively. Purchases from our largest supplier for the same periods totaled RMB4.1 million, RMB8.8 million, RMB13.7 million and RMB3.9 million, representing 6.8%, 10.1%, 17.5% and 17.2% of our cost of sales, respectively. We have not had any material disputes with our suppliers during the Track Record Period.

None of our Directors or their associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five percent of our issued share capital, have any interest in any of our five largest suppliers.

MANUFACTURING

Our principal manufacturing facilities are located at our headquarters (with an aggregate area of approximately 9,326 square meters) in Zhangjiang Hi-Tech Park, Shanghai, China. We manufacture our proprietary products in a controlled environment and have implemented quality management systems as part of our manufacturing processes, as described in "— Quality control" below. We package our products primarily in our facilities in Shanghai International Medical Zone, Shanghai, China. In 2009, we acquired a parcel of land in Zhangjiang Hi-Tech Park, Shanghai, China, on which we are currently constructing a new office complex for our headquarters and principal manufacturing facilities which will have an aggregate area of approximately 70,832 square meters. This new complex is expected to be completed in 2012 and to have an estimated annual production capacity of approximately 700,000 to 1,000,000 units of stents and catheters.

The following table sets forth the production capacity, actual production volume and utilization rate for our stents and catheters for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010.

	Year ended December 31,			Three months ended March 31,
	2007	2008	2009	2010
Production capacity (units)	121,800	162,100	233,000	70,000
Actual production volume (units)	114,800	151,100	224,000	59,400
Utilization rate (%)	94	93	96	85

The manufacturing process for our stents involves the following steps:

- laser cutting the metal for the stent frame, based on designs developed by our metallurgists and engineers;
- heat treating the cut metal to enhance the durability of the stent and reduce the chance of a stress fracture;
- polishing the metal;
- inspecting the stent;
- for our drug-eluting stents, mixing the polymer and combining it with the drug and solvent to coat the exterior of the stent; in the case of our stent grafts, we apply the outside cover to the stent at this stage; and
- sanitizing and packaging.

We conduct each of the above steps in-house. Our integrated production process increases our production efficiency and reduces our dependence on third-party suppliers, which distinguishes us from our domestic competitors. This vertical integration also enables us to adjust our production quickly to respond to changes in market demand for our products.

We maintain separate manufacturing lines for our catheters, insulin pumps and other devices. For catheters which are used as delivery systems for stents, our final production task is to attach the stent to the end of the catheter for later delivery into the patient. We outsource the coating of certain of our catheters to an independent third party which has a license for the technology for such coating application. We have outsourced

the coating to this independent third party since 2003 and incurred RMB7.3 million, RMB8.5 million, RMB11.7 million and RMB3.4 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, for this service.

The machinery we use to manufacture our products is available from multiple suppliers, and is not difficult to obtain. We have also implemented a comprehensive maintenance system for our machinery. As we expand our production facilities, we plan to acquire additional machinery in 2010. During the Track Record Period, we have not experienced any material or prolonged interruptions of our machinery due to equipment or machinery failure.

We believe that our location gives us an advantage in manufacturing over our international competitors. We have access to China's vast labor pool, which makes it easier for us to hire people with the appropriate skills for our production. Typically, we require new employees to undergo approximately three months of training before they commence work on our production lines. For more experienced staff, this training time may be shorter. To enhance our efficiency, we plan to expand the training of our production staff so that they can handle additional parts of our production processes. This cross-training allows us to reallocate our production personnel between various production lines according to our production needs; it also allows us to increase our capacity utilization rate and our product yield rate, which in turn allows us to improve our manufacturing efficiency. Moreover, for the last several months, we have been engaged in a thorough review of each part of our written production procedures to ensure they are complete and systematic so that we can maintain our quality standards and operating efficiency even as we scale-up production and add new staff.

We generally ship our products to domestic distributors within 48 hours of receipt of the order and within 30 days for overseas distributors. We have not experienced any material backlogs or delays in meeting distributor orders during the Track Record Period.

INVENTORY

Our inventories consist of raw materials, work in progress and finished goods. We generally maintain an inventory level of one-to-two-month sales volume for our finished goods, three to six months supply of our work in progress and three months to one year supply of our raw materials, and such level will vary according to the demand of our distributors, sales and production plans. We generally maintain three months to one year supply of our raw materials primarily because (i) we source a majority of our principal raw materials from international markets which may take a longer time for delivery in comparison to domestically-sourced raw materials, (ii) we spend longer time on the inspection of inventory quality before acceptance as we require particularly high quality standards for our raw materials and (iii) we tend to order certain raw materials in relatively large batches to obtain better pricing from our suppliers. We store substantially all our inventories in our headquarters in Zhangjiang Hi-Tech Park, Shanghai, China, and the remaining in our facilities in Shanghai International Medical Zone, Shanghai, China.

Our products typically have an effective period of nine months to two years and are subject to expiry. All our products are sold on a first-in-first-out basis. To minimize the risk of building up inventory, we regularly review our inventory levels. We also carry out physical stock counts and stock inspections from time to time to identify damaged products and obsolete or about-to-expire products, which are disposed of or for which provisions are made. During the Track Record Period, we did not experience any material shortage of inventory.

For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, our average inventory turnover days were 304 days, 288 days, 254 days and 244 days, respectively. As of March 31, 2010, we had inventories of RMB64.7 million. As of July 31, 2010, RMB64.5 million of such inventories were sold or used in our production process.

QUALITY CONTROL

We have a quality and regulatory affairs department and devote significant resources to quality management of our products. Our quality and regulatory affairs department monitors every stage of our

manufacturing processes and ensures consistent product quality that meets our quality management standards and policies. Our quality and regulatory affairs department covers the following:

- **Quality assurance**: Our quality and regulatory affairs department ensures our product realization process, including research and development, product designs, purchase of raw materials, manufacturing, product releases, product feedbacks and risk management, meet our quality management standards and policies.

- **Quality control**: Our quality and regulatory affairs department inspects our products both during and after the manufacturing process, including raw material inspection, manufacturing process inspection and final products delivery inspection.

- **Testing**: Our quality and regulatory affairs department conducts various tests of our products throughout the research and development and manufacturing processes, including metal and drug analyses and product fatigue tests.

- **Quality management**: Our quality and regulatory affairs department establishes, maintains and improves our quality management system to ensure that our system is in compliance with applicable regulations and standards.

We have established a quality management system in accordance with SFDA regulations, and have obtained ISO 13485 certificates for the design, development, production and distribution of all the products we currently offer, except for La Fenice insulin pump which is manufactured by MP Lifesciences Shanghai and MP Lifesciences Beijing which have not yet applied for ISO 13485 certification. These certifications indicate our compliance with recognized international standards for quality management and facilitate entry of our products into the European Union. Our ISO 13485 certificate issued by Beijing Hua Guang Certification of Medical Devices Co., Ltd., a SFDA recognized institution, has a validity period of three years and is subject to renewal. Our ISO 13485 certificate issued by TÜV SÜD Product Service GmbH, a European Union Notified Body which is a government-authorized agency, has a validity period of nine months and is subject to renewal.

Representatives of SFDA periodically inspect our manufacturing facilities and quality management system. Representatives of Beijing Hua Guang Certification of Medical Devices Co., Ltd. and TÜV SÜD Product Service GmbH audit our quality management system every year for compliance with relevant SFDA, European Union and ISO regulations. In addition, representatives of the Pharmaceutical and Medical Device Agency, a Japanese governmental authority, conducted its first on-site inspection of our quality management system in October 2009 for compliance with Japanese Good Manufacturing Practices. One of our distributors in Japan, which is a subsidiary of Otsuka Pharmaceutical, also inspects our manufacturing facilities and our quality management system periodically. In addition, when we first began exporting our PTCA balloon catheters to Japan, such distributor provided certain advice to enhance our quality control management with respect to such products. We also periodically discuss quality control issues from time to time as they arise with Otsuka Pharmaceutical. During the Track Record Period, the relevant inspecting parties have identified certain immaterial non-compliance incidents of our quality management system from time to time, and we have taken remedial and preventive measures to address these non-compliance incidents which in each case have been verified by the relevant inspecting parties.

In addition, our quality and regulatory affairs department is responsible for ensuring that we are in compliance with applicable regulations, standards and internal policies. Our senior management team is actively involved in setting quality management policies and managing internal and external quality performance.

INTELLECTUAL PROPERTY RIGHTS

We believe that in order to maintain a competitive advantage in the marketplace, we must develop and protect the proprietary aspects of our technologies. We have established an intellectual property management

team under our legal department that devotes its efforts to protecting our intellectual property. We rely primarily on intellectual property laws and contractual arrangements with our employees, business partners and others to protect our intellectual property rights. We require our employees to enter into agreements requiring them to keep confidential all information relating to our methods, business, trade secrets, distributors, hospitals, physicians and end-users during and after their employment with us. Our employees are required to acknowledge and recognize that all inventions, trade secrets, copyrights, developments and other processes, whether or not patentable or copyrightable, made by them during their employment are our property. They also sign agreements to substantiate our sole and exclusive right to those works and to transfer any ownership that they may claim in those works to us.

While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of our intellectual property. Infringement or misappropriation of our intellectual property could materially harm our business.

Our Company has a significant patent portfolio in the minimally invasive interventional device area in China. As of the Latest Practicable Date, we had received a total of 52 patents in China, including 13 invention patents, 38 utility model patents and one design patent, and two patents in the European Union. In addition, as of the Latest Practicable Date, we had 83 patent applications pending in China and 11 patent applications pending in the United States, the European Union and Japan. We also had 25 applications for priority dates pending under the Patent Cooperation Treaty. The validity period for our invention patents and utility model patents is 20 years and ten years from the date of application, respectively. See "Statutory and General Information — Intellectual property rights" in Appendix VI to this prospectus. In 2008, we were jointly recognized as a Shanghai intellectual property model enterprise by six Shanghai municipal governmental authorities, in recognition of our achievements in the area of intellectual property.

As of the Latest Practicable Date, we had registered 37 trademarks with China's Trademark Office. These trademarks are related to the name and logo of our Company and the names of our products. We are in the process of applying for 37 additional trademarks in China. In addition, through the Madrid System, we have registered one trademark with 14 other jurisdictions. We have also registered 25 trademarks worldwide (including the trademark registered under the Madrid System). In 2008, "MicroPort" was recognized as a Shanghai famous trademark with the effective period from 2008 to 2010. See "Statutory and General Information — Intellectual property rights" in Appendix VI to this prospectus.

China's trademark law adopts a "first-to-file" system for obtaining trademark rights. As a result, the first applicant to file an application for registration of a mark will preempt all other applicants. Prior use of unregistered marks, except "well known" marks, is generally not a basis for legal action in China. We may not be able to successfully defend or claim any legal rights in that trademark for which an application has been made but for which the Trademark Office has not issued a registration certificate.

We have registered the following material Internet domain name: www.microport.com.cn.

Many parties are actively developing and seeking patent protection for minimally invasive medical device technologies. We expect these parties to continue to take steps to protect these technologies, including seeking patent protection. There may be patents issued or pending held by others that cover significant parts of our technology, business methods or services. Disputes over rights to these technologies may arise in the future. We cannot be certain that our products and services do not or will not infringe valid patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others, as discussed in "Risk Factors — Risks related to our Company — If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue selling the affected product." in this prospectus.

As of the Latest Practicable Date, we are not aware of any proceedings concerning, and are not aware of any material claims or infringements of, any intellectual property rights that may be threatened or pending, in which we may be involved whether as a claimant or respondent.

COMPETITION

The market in which we compete is characterized by rapid changes resulting from technological advances and scientific discoveries. In addition, it is subject to changes in China's healthcare industry overall.

With respect to drug-eluting stents, we primarily compete against international companies such as Johnson & Johnson (through its Cordis subsidiary), Medtronic, Inc. and Boston Scientific Corporation and domestic medical device manufacturers such as Beijing Lepu Medical Device, Inc., Shandong JW Medical Systems Limited and Dalian Yinyi Biomaterials Development Co., Ltd. Abbott Laboratories also recently commercially launched in China its drug-eluting stent, which is a major drug-eluting stent in the United States and Europe, nevertheless, we expect Abbott Laboratories will compete primarily with international companies mainly due to the higher retail prices for drug-eluting stents manufactured by international companies which prices are established through the periodic tender process. We do not expect the entry of Abbott Laboratories to have a material adverse impact on our business, financial condition or results of operation for the foreseeable future. In the future, we may also compete against companies which have obtained approvals from SFDA to manufacture and sell drug-eluting stents in China or companies which have developed drug-eluting stents but have not entered the vascular device market in China. Other global competitors in the cardiovascular area include ev3 Inc. and C.R. Bard, Inc. In addition, we face competition from ev3 Inc., C.R. Bard, Inc., Medtronic, Inc., Boston Scientific Corporation and Cook Medical, a division of Cook Group Inc., with respect to other vascular areas. Many of these companies have already been selling products in China, and those that have not done so, as well as other medical device manufacturers, may begin selling products in China in the near future. In addition, we also face competition from non-medical device companies, such as pharmaceutical companies, which may offer alternative therapies for disease states that are currently or could be treated using our products.

For our EP devices, we will be competing primarily with international companies such as Johnson & Johnson (through its Cordis subsidiary), St. Jude Medical, Inc., Medtronic, Inc. and C.R. Bard, Inc., and domestic companies such as Shenzhen APT Medical Device Co., Ltd. In the market for diabetes devices, we will be competing primarily with Medtronic, Inc. We will be competing with existing domestic and international medical device manufacturers for our orthopedic devices.

Our products compete primarily on the basis of efficacy, safety, pricing, ease of use, brand recognition and the level of technical support and training provided to doctors. We believe that the quality of our products is comparable, and in some aspects such as flexibility and deliverability superior, to that of our major international competitors' products, but the pricing of our products is significantly lower. In addition, insurance companies in China often reimburse patients for a higher percentage of the product cost if they use a medical device manufactured by a Chinese domestic company as opposed to an imported device. We cannot, however, provide any assurance that this favorable treatment for domestic manufacturers will remain in effect in any future period. See "Risk Factors — Risks related to our industry — Our sales depend to a large extent on the level of insurance reimbursement patients receive for treatments using our products." in this prospectus. While the pricing of our products is comparable to that of our domestic competitors, we believe that we compete favorably against them in all other categories.

We believe that our continued success depends on our ability to (i) continue to innovate and develop advanced technology; (ii) apply our technology across product lines; (iii) develop a broad portfolio of proprietary products; (iv) maintain our efficient operating model; (v) attract and retain skilled personnel; (vi) maintain high quality standards; (vii) obtain and maintain regulatory approvals; and (viii) effectively market our products.

Several of our competitors have significant financial, research and development and other resources and enjoy high brand name recognition in China. Our competitors dedicate, and we believe they will continue to

dedicate, significant resources to promote their products aggressively. They may develop technologies and products that are safer, more effective, easier to use or less expensive than ours. We have encountered and expect to continue to encounter physicians who, due to existing relationships with our competitors, are committed to or prefer the products offered by these competitors.

EMPLOYEES

We had 643, 718, 1,151 and 1,196 employees as of December 31, 2007, 2008 and 2009 and March 31, 2010, respectively. The following table sets forth the number of our employees categorized by function as of March 31, 2010.

Function	Number
Manufacturing	558
Quality and regulatory affairs	199
Research and development	170
Marketing and sales	132
General and administration[1]	94
Others[2]	43
Total:	1,196

Notes:

(1) General and administration includes customer service employees.

(2) Others include finance staff, legal staff and head office staff.

Our total staff costs for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010 were RMB87.8 million, RMB81.4 million, RMB116.0 million and RMB31.6 million, respectively. All of our employees are stationed in China, except for one employee in MP B.V.'s office in The Netherlands, responsible primarily for coordinating with foreign regulatory authorities in connection with obtaining regulatory approvals of our products, as well as the distribution of our products in the international market.

In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In addition, we provide various healthcare benefits and insurance to our employees and participate in various employee benefit plans in accordance with applicable laws and regulations. These employment contracts generally have a term of three years.

We invest in continuing education and training programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with internal training in various areas. We also arrange for our employees to attend external training.

All employees have joined our labor unions that protect employees' rights, help fulfill our economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. During the Track Record Period, we have not experienced any strikes, labor disputes or industrial action which had a material effect on our business, and consider our relations with our employees to be good.

INDEPENDENCE OF BUSINESS OPERATIONS FROM OUR CONTROLLING SHAREHOLDER

Our business has been carried out independently by our Group, without the assistance from or involvement of our Controlling Shareholder, except that (i) we have entered into, and will continue to enter into,

exclusive distribution agreements with certain members of our Controlling Shareholder Group, details of which are set out in "Relationship with Our Controlling Shareholder and Connected Transactions — Connected transactions" in this prospectus (currently there are five such distribution agreements, and each is a separate framework agreement whereby MP Shanghai has appointed affiliates of Otsuka Pharmaceutical in the Philippines, Thailand, Indonesia, Pakistan and Japan to be our exclusive distributor of mainly drug-eluting stent systems and balloon catheters in each country. Pursuant to these agreements, each distributor purchases from MP Shanghai a minimum amount of the agreed products and then uses its best efforts in the promotion and sale of them to end-user customers), (ii) our principal operating subsidiary, MP Shanghai, is insured for product liability and clinical trial liability claims worldwide under a comprehensive general liability insurance policy and for product recall expenses worldwide under a product recall insurance policy, both of which are maintained by Otsuka Holdings, the parent company of our Controlling Shareholder as set out in "—Insurance" below, (iii) one of our distributors in Japan, which is a subsidiary of Otsuka Pharmaceutical, inspects our manufacturing facilities and our quality management system periodically and we also receive certain advice regarding quality control from such distributor from time to time, on an as-needed basis, including advice to improve our quality control management when we first began exporting our PTCA balloon catheters to Japan, as described above in "— Quality control" and (iv) Otsuka Pharmaceutical agreed to transfer certain trademarks to us in April 2008 for a consideration of approximately JPY3.8 million (equivalent to approximately RMB0.3 million). These trademarks are primarily related to our products, Firebird and Mustang, and were registered in several overseas markets which generated in aggregate an insignificant amount of our revenue during the Track Record Period. Regarding the above mentioned insurance policies, we have been considering maintaining our own insurance policies, however, we were previously unable to identify any such insurance coverage in China owing to the lack of such insurance product offering. Nevertheless, we were recently informed that insurance policies for product liability claims have become available in China, and we are in the process of considering maintaining our own insurance policies with the relevant insurance providers. We cannot assure you, however, that we will be able to obtain such insurance policies at all or at comparable terms. We have not made or been the subject of any material insurance claims during the Track Record Period. See "Risk Factors — Risks related to our Company — We are exposed to potential product liability claims and our insurance coverage may be inadequate to protect us from all liabilities we may incur." and "— Insurance" below in this prospectus. Except as set forth above, we do not receive services or other support from our Controlling Shareholder.

INSURANCE

Our operating subsidiary, MP Shanghai, is insured for product liability and clinical trial liability claims worldwide under a comprehensive general liability insurance policy with a syndicate of insurers including Sompo Japan Insurance Inc. and Ping An Property & Casualty Insurance Company of China, Ltd. (starting from July 2010), which policy is maintained by Otsuka Holdings, the parent company of our Controlling Shareholder, Otsuka Pharmaceutical. The maintenance of such insurance policy by Otsuka Holdings is in line with its general group policy. This policy has an annual aggregate limit of JPY50 billion (equivalent to approximately RMB4.0 billion), of which JPY100 million (equivalent to approximately RMB8.1 million) is specifically designated for any claims made by MP Shanghai (starting from July 2010) and the remainder of the coverage is payable on a first-claim basis for all of the entities the policy covers, which include MP Shanghai and subsidiaries and affiliates of Otsuka Pharmaceutical. Prior to July 2010, all of this policy was on a first-claim basis for all such covered entities. We pay the premium with respect to the portion of the policy applicable to our Company.

In addition, MP Shanghai is insured for product recall expenses worldwide under a product recall insurance policy with Sompo Japan Insurance Inc. maintained by Otsuka Holdings. The maintenance of such insurance policy by Otsuka Holdings is in line with its general group policy. This policy has an annual aggregate limit of JPY200 million (equivalent to approximately RMB16.1 million) on a first-claim basis for all of the entities it covers, which include MP Shanghai and subsidiaries and affiliates of Otsuka Pharmaceutical. We pay the premium with respect to the portion of the policy applicable to our Company. We also have property insurance coverage from China Pacific Property Insurance Co., Ltd. to cover certain of our fixed assets, which is subject to an annual aggregate limit of approximately RMB132.6 million.

Although we maintain insurance that we consider customary for our industry and operations, our insurance coverage, however, may still not be sufficient to cover potential claims for product liability or damage to our fixed assets. If, for any reason, Otsuka Holdings' insurance ceases to cover MP Shanghai or Otsuka Holdings decides to remove MP Shanghai from its insurance policy for whatever reason, we may not be able to obtain a comparable policy to replace it, or any policy at all. We have been considering maintaining our own insurance policies, however, we were previously unable to identify any such insurance coverage in China owing to the lack of such insurance product offering. Nevertheless, we were recently informed that insurance policies for product liability claims have become available in China, and we are in the process of considering maintaining our own insurance policies with the relevant insurance providers. We cannot assure you, however, that we will be able to obtain such insurance policies at all or at comparable terms. If we maintain insurance coverage on less favorable terms than we currently enjoy, our costs could increase. In addition, as Otsuka Holdings' insurance coverage is on a first-claim basis except for coverage in the amount of JPY100 million which only covers product liability claims made by MP Shanghai (starting from July 2010), the aggregate annual insurance coverage may be inadequate to protect us from all our related liabilities if other insured entities made claims exceeding the annual aggregate limit. See "Risk Factors — Risks related to our Company — We are exposed to potential product liability claims and our insurance coverage may be inadequate to protect us from all liabilities we may incur." in this prospectus.

We do not carry any business interruption insurance or employee liability insurance.

During the Track Record Period, we have not made or been the subject of any material insurance claims.

PROPERTIES AND FACILITIES

We are headquartered in Zhangjiang Hi-Tech Park, Shanghai, China, where we own our offices and manufacturing and research and development facilities for our principal products with an aggregate area of approximately 9,326 square meters. In 2009, we acquired a parcel of land in Zhangjiang Hi-Tech Park, Shanghai, China, on which we are currently constructing a new office complex for our headquarters and principal manufacturing facilities which will have an aggregate area of approximately 70,832 square meters. This new complex is expected to be completed in 2012 and have an estimated annual production capacity of approximately 700,000 to 1,000,000 units of stents and catheters. We have obtained property ownership certificates for our current headquarters and this new parcel of land, except for a portion of our current headquarters with an aggregate area of approximately 545 square meters, which is being temporarily used primarily for storage of materials, research and development activities and as offices. We did not obtain a property ownership certificate for such portion of our current headquarters because it was built by us as a temporary facility and we did not obtain relevant planning and construction permits to commence its construction. We applied for a property ownership certificate for this space in July 2010, which is expected to take at least one year. See "Risk Factors — Risks related to our Company — We manufacture our principal products at our headquarters and package our products primarily in our other facilities. Any disruption in these manufacturing facilities, or in our planned move to a new facility which is currently under construction, could cause us to suffer losses and materially and adversely affect our business, financial condition and results of operation." in this prospectus.

In 2008, we acquired two buildings with an aggregate area of approximately 4,903 square meters in Shanghai International Medical Zone, Shanghai, China. These two buildings are used primarily for our diabetes and orthopedic businesses, as well as packaging and storage of our current products. We have obtained property ownership certificates for these two buildings. In 2010, we acquired another building with an aggregate area of approximately 2,913 square meters in Shanghai International Medical Zone, Shanghai, China. This building is currently under renovation and is expected to be used for our EP business upon the completion of such renovation which is expected to be in the last quarter of 2010. We also expect to obtain the property ownership certificate for this building in the last quarter of 2010.

We do not own any land or properties outside of Shanghai. We lease office spaces for our offices in Beijing and The Netherlands.

We own all our manufacturing facilities and lease two workspaces with an aggregate area of approximately 604 square meters for sanitization and storage of packaging materials. In addition, we also lease two workspaces with an aggregate area of approximately 352 square meters in Beijing, which are used for manufacturing our diabetes devices.

For more details of our owned and leased properties, please see "Property Valuation" in Appendix IV to this prospectus.

SAFETY

We have established work safety policies or procedures to ensure that all parts of our operations are in compliance with applicable laws and regulations. As of the Latest Practicable Date, our manufacturing facilities complied with applicable laws, regulations and standards and we have obtained all necessary licenses in relation to safety.

During the Track Record Period, we have not experienced any material or prolonged stoppage of production due to equipment failure, and we have not experienced any material accidents during our manufacturing process.

ENVIRONMENTAL MATTERS

Our operations in the PRC are subject to, among other relevant environmental protection standards, the following environmental laws and regulations:

- Environmental Protection Law of the PRC (中華人民共和國環境保護法);
- Water Pollution Prevention Law of the PRC (中華人民共和國水污染防治法);
- PRC Law on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法);
- PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法);
- PRC Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法);
- Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法); and
- PRC Administrative Regulations on Levy and Use of Discharge Fees (中華人民共和國排污費徵收使用管理條例).

We do not operate in a high pollution generating industry, and our manufacturing process primarily produces waste water, waste liquid, solid wastes and noises. Waste water which we produce is treated in our waste water treatment facility which is managed and maintained by a professional institute. We then discharge the treated waste water to city waste water centralized disposal facilities and pay waste water disposal fees to the water supply company. Waste liquid and solid wastes produced are recycled and disposed of by waste disposal entities. Our PRC legal counsel, Jun He Law Offices, has advised that we have been in compliance in all material respects with applicable environmental laws and regulations during the Track Record Period. In addition, we conduct environmental impact assessments for our projects to ensure our compliance with environmental protection standards and requirements in connection with our expansion of our facilities.

For the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, we incurred costs of approximately RMB91,819, RMB112,670, RMB277,427 and RMB64,920, respectively, in

connection with our compliance with applicable environmental laws and regulations. We expect to incur similar amount of costs in 2010 and 2011, subject to any future changes in applicable environmental laws and regulations which may arise.

SPECIAL INCIDENT

Our Company and Dr. Zhaohua Chang, our founder and Director and Chairman of our Company, were involved in an incident whereby payments were made to Mr. Hao Heping, the former director of the Division of Medical Devices of SFDA, the details of which are set forth below. As discussed in "Regulations — Anti-corruption laws in China" in this prospectus, these payments were made in the content of an environment of serious corruption inside SFDA, and multiple senior SFDA officials were convicted of accepting bribes during this time period. Notwithstanding our involvement in Mr. Hao's case, however, all of the products we have offered for sale in China have met, and currently meet, SFDA's requisite technical standards of safety and efficacy. As described above in "Regulations — SPDA requirements — Registration requirements; clinical trials," as part of the approval process for our products, we obtained favorable test results for our devices from a test center recognized by SFDA. For each device, the test center conducts animal and laboratory testing by strictly following the applicable product registration standards. We also conducted extensive clinical trials in conjunction with various hospitals and doctors in the PRC and gathered and correlated the relevant patient data. After the clinical trial, the provincial level of SFDA, after receiving our application of inspection, conducted an on-site inspection of our quality management system and the integrity of the clinical trial conducted and delivered an inspection report to us. We then provided the requisite pre-clinical and clinical trial data and information, including the foregoing inspection report, on the device and its components regarding, among other things, device design, manufacturing and labeling, to SFDA for our product registration application. Under SFDA procedures, Mr. Hao was not involved in any of the foregoing stages. Thereafter, SFDA conducted a technical review on our application materials to ensure our products meet the requisite technical standards of safety and efficacy. In the discretion of SFDA, the technical review may also include a review by a team of independent practitioners and experts. Typically, products which are more complex and/or can seriously affect a patient's health are subject to such independent review. All of our products approved during Mr. Hao's tenure at SFDA were subject to a technical review by independent practitioners and experts who were non-SFDA officials, other than our PTCA balloon dilatation catheter and single-use accessory device which were reviewed by SFDA staff and contributed an insignificant amount of our revenue during the Track Record Period. After we passed such technical review, our application materials underwent an administration review for the issuance of the approval certificate by SFDA, and it was only at this stage that the signature of Mr. Hao was required. Such administration review ensured that the registration process has been in compliance with relevant laws and regulations in China. After Mr. Hao's signature, one additional signature from the deputy chief of SFDA was required, although per SFDA procedures, the deputy chief could not sign approval certificates until Mr. Hao had signed them. Based on our Company's understanding, Mr. Hao's signature was only a procedural or administrative step which occurred after SFDA's technical review of our application materials including pre-clinical and clinical trial data and inspection report which confirmed that our products met SFDA's requisite technical standards of safety and efficacy. Without passing the technical review, our application would not have reached the stage of SFDA's administration review for the issuance of the approval certificate. As such, our products whose certificates were signed by Mr. Hao were in full compliance with the technical requirements for SFDA approval according to its standards, and the payments to Mr. Hao described below were not paid to conceal any deficiencies in our products.

In 2003, Mr. Hao indicated to one of our former senior executives that he expected payments for certain of his personal expenses. As subsequently confirmed by Dr. Zhaohua Chang (our founder and Director and chairman of our Company) to our Directors, Dr. Chang was aware that such payments were improper, but he determined that he had no alternative because declining Mr. Hao's request might lead to a delay in the granting of the approval for our new products (for which the requisite clinical data had been provided and technical review conducted or would be conducted), particularly Firebird, which would substantially harm our business. As a result, Dr. Chang, after several months of consideration, indirectly provided RMB220,000 in cash from his personal funds for such purpose. As confirmed to our Directors, he made this payment from his personal funds in

order to minimize the impact of this conduct on our Company. In addition, the above-mentioned former senior executive also provided to Mr. Hao RMB40,000 in 2005, which was reimbursed by us. The products approved while Mr. Hao was in office generated approximately 90.0%, 84.2%, 1.3% and nil of our revenue for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively.

We have, after Mr. Hao ceased to be an SFDA official, received SFDA approvals for all our product renewal applications for those products initially approved by SFDA during Mr. Hao's tenure (with two of such products, Aegis T and Aegis B, currently being reviewed by SFDA for their second renewal applications following Mr. Hao's departure from SFDA). These renewal applications involve a separate review or approval process. To further demonstrate the safety and efficacy of our principal products, Firebird and Firebird 2, we have been conducting several nation-wide post-launch clinical trials for these products, although we are not required to do so by SFDA. As discussed in "Clinical trials" above, we have to date achieved all the safety and efficacy targets (which are consistent with those used by our international competitors) established in the protocols for our Firebird in China, Fireman and Focus clinical trials for Firebird and Firebird 2, which trials involve approximately 7,600 patients in total. In addition, we have not been subject to any claims or litigation concerning the quality of our products, and we did not make any recalls of our products during the Track Record Period.

Each of Dr. Chang and our senior management confirmed that they have not made any payments to officials of SFDA since the incidents involving Mr. Hao described above. Furthermore, the Board has taken Mr. Hao's case very seriously and has taken various steps to improve our corporate governance procedures and enhance the composition of our management and Board, as well as review our internal controls, with the purpose of ensuring we have proper checks and balances in place at both the Board and management levels to minimize the likelihood that compliance issues will arise in the future. See "Corporate governance and internal controls" below. For a discussion of the legal analysis related to the foregoing, see "Legal proceedings and compliance — Legal implications of special incident."

Aside from the foregoing special incident, our Directors confirm that Dr. Chang has throughout such period maintained a positive reputation in the healthcare industry in China. For example, he has been or is currently still an advisory member of various political, technical and other bodies and has been given numerous awards in recognition of his political, entrepreneurial and technical achievements, including: (i) in January 2008, he was selected as one of the Eleventh CPPCC National Committee members (中國人民政治協商會議第十一屆全國委員會委員) by the General Office of the CPPCC National Committee (中國人民政治協商會議全國委員會辦公廳). CPPCC stands for Chinese People's Political Consultative Conference, which is a political advisory body in the PRC charged with the discussion and formulation of proposals on major political and social issues and consists of delegates from a range of political parties and organizations, as well as independent members, in China, (ii) in July 2009, Dr. Chang was recognized as an Outstanding Individual (全國歸僑僑眷先進個人) by Overseas Chinese National Affairs Office of the State Council (國務院僑務辦公室), and (iii) currently Dr. Chang is a professor and associate dean of the Medical Device College of the Shanghai University of Science and Technology (上海理工大學).

LEGAL PROCEEDINGS AND COMPLIANCE

General

Our Directors confirm that we were not subject to any claims or litigation concerning the quality of our products during the Track Record Period. We did not make any recalls of our products during the Track Record Period. Currently, we are not a party to any legal or administrative proceedings, and we are not aware of any pending or threatened legal or administrative proceedings against us. We may from time to time become party to various legal or administrative proceedings arising in the ordinary course of our business.

As of the Latest Practicable Date, we had obtained all requisite permits, licenses and approvals for our business operations.

Legal implications of special incident

With respect to the special incident described above, our PRC counsel, Jun He Law Offices, and the Joint Sponsors' PRC counsel, King and Wood PRC Lawyers, have advised that (i) Dr. Zhaohua Chang's behavior should not be deemed as committing bribery under PRC Criminal Law as he did not have any intention to seek illegitimate gains or interest, which is the element for committing bribery under the general circumstance according to PRC Criminal Law; (ii) Mr. Hao's case was closed and settled with the PRC court's final judgment in March 2007 which only listed Dr. Zhaohua Chang as a witness and no further investigation or inquiry has since been made by the PRC prosecutor against Dr. Zhaohua Chang. As Dr. Zhaohua Chang did not receive any illegitimate gains or interest in Mr. Hao's case, in line with PRC legal practices, Dr. Zhaohua Chang has not been, and it is highly unlikely for Dr. Zhaohua Chang and any members of our Group to be, subject to any further investigation by relevant authorities in the future in connection with this special incident and any regulatory sanction, disciplinary action, administrative penalty or other action as a result of this special incident; (iii) there should be no retroactive actions taken by SFDA on the relevant SFDA certificates for our products as a result of this special incident due to the fact that to date, none of the SFDA certificates for our Group's products has been revoked or challenged by any PRC governmental authority as a result of the special incident and no such retroactive actions are threatened or pending against our Group's SFDA certificates which were initially approved by SFDA when Mr. Hao was in office; (iv) based on the compliance letter issued by Shanghai Pudong Administration for Industry and Commerce, which is the local counterpart of the PRC regulatory authority responsible for the supervision and administration of the operations of all economic entities in China, MP Shanghai has not been penalized by any PRC administration for industry and commerce for any violation of relevant laws and regulations for the period from January 1, 2007 to April 25, 2010; and (v) based on the results of public searches and the confirmation of our Group, none of the members of our Group and our Directors has been found to have conducted any activities which would be regarded as committing crimes under PRC Criminal Law during the Track Record Period.

In addition, to date, no regulatory investigations, administrative actions or criminal actions have been initiated against our Company, MP Shanghai or any of our current or former officers, directors and employees in connection with the circumstances surrounding Mr. Hao's case and no SFDA certificates for our products initially approved by SFDA during Mr. Hao's tenure have been revoked or challenged by any PRC governmental authority.

Based on the aforementioned advice by our Company's PRC counsel, Jun He Law Offices, the factual confirmations of Dr. Zhaohua Chang as set out in a statutory declaration affirmed by him in Hong Kong on July 23, 2010 pursuant to the Oaths and Declarations Ordinance (Chapter 11) of the laws of Hong Kong ("Dr. Chang's Statutory Declaration"), the formal certification of the public security bureau of Shanghai on July 20, 2010 as to the absence of any prior criminal record with respect to Dr. Zhaohua Chang ("No Criminal Record Certification"), the Directors believe that:

a. as Dr. Zhaohua Chang did not have any intention to seek illegitimate gains or interests, which is the element for committing bribery under the general circumstances according to PRC Criminal Law, his behavior should not be deemed as committing bribery under PRC Criminal Law;

b. Mr. Hao's case was closed and settled with the PRC court's final judgment in March 2007 which only listed Dr. Zhaohua Chang as a witness, and no further investigation or inquiry has since been made by the PRC prosecutor against Dr. Zhaohua Chang;

c. as Dr. Zhaohua Chang did not receive any illegitimate gains or interest in Mr. Hao's case, in line with PRC legal practices, Dr. Zhaohua Chang has not been, and it is highly unlikely for Dr. Zhaohua Chang and any members of our Group to be, subject to any further investigation by the relevant authorities in the future in connection with this special incident, or any regulatory action as a result of this special incident; and

d. there should be no retroactive actions taken by SFDA on the relevant SFDA certificates for our products as a result of this special incident due to the fact that to date, none of the SFDA certificates for our Group's products has been revoked or challenged by any PRC governmental authority as a result of this special incident and no such retroactive actions are threatened or pending against our Group's SFDA certificates which were initially approved by SFDA when Mr. Hao was in office.

Based solely on the factual confirmations of Dr. Chang's Statutory Declaration and the No Criminal Record Certification, the legal opinions of our Company's PRC legal counsel, Jun He Law Offices and the Joint Sponsors' PRC legal counsel, King & Wood PRC Lawyers as to the legal issues and consequences in the PRC arising out of the special incident and such factual confirmations and certification, and the Joint Sponsors' review of the copies of SFDA certificates held by our Group for their products to date, the Joint Sponsors who are not legal experts and are relying on the aforesaid confirmations, certification and PRC legal opinions, believe that:

a. based on the above, including specifically, the statement contained in Dr. Chang's Statutory Declaration that he did not have the intent to seek illegitimate gains or interests, which is the element for committing bribery under the general circumstances according to PRC Criminal Law, Dr. Zhaohua Chang's behavior should not be deemed as committing bribery under PRC Criminal Law;

b. Mr. Hao's case was closed and settled with the PRC courts' final judgment in March 2007 which only listed Dr. Zhaohua Chang as a witness, and no further investigation or inquiry has since been made by the PRC prosecutor against Dr. Zhaohua Chang;

c. Dr. Zhaohua Chang has not been, and it is unlikely for Dr. Zhaohua Chang and any members of our Group to be, subject to any regulatory action in connection with the special incident; and

d. to date, there have been no retroactive actions taken by SFDA on the relevant SFDA certificates for our Group's products as a result of the special incident, and none of the SFDA certificates for our Group's products, which was initially approved by SFDA when Mr. Hao was in office, has been revoked or challenged by any PRC governmental authority directly in connection with the special incident.

Other incident involving our Company

We were previously fined RMB0.3 million by the Beijing Administration for Industry and Commerce Feng Tai Branch in June 2005 and by the Shanghai Administration for Industry and Commerce Hong Kou Branch in October 2005 for promoting our sales in the aggregate amount of approximately RMB5.9 million by paying hospital sponsor fees or illegal rebates in the aggregate amount of approximately RMB0.5 million which occurred in 2003 and 2004. We were not subject to any other penalty or legal action in connection with these incidents. See "Risk Factors — Risks related to our Company — We might have engaged in activities that violated PRC laws or are harmful to our reputation, and these events or any non-compliance by us with applicable laws could have a material and adverse impact on our business, financial condition or results of operation" in this prospectus.

Anonymous complaint letters

In May, June and July 2007, we and/or our independent auditors and external legal counsel received three anonymous complaint letters. Although these letters lacked supporting evidence, in each case we and certain external advisers conducted an internal investigation as noted below to properly investigate and address each of the allegations made in the letters.

The first letter alleged that part of our financial statements were based on false contracts and that certain payments that were supposed to have been wired to third parties were instead sent to an account controlled by a member of our management for the purpose of paying kickbacks. To address these allegations, we conducted an investigation with the assistance of our then PRC legal advisers, King & Wood PRC Lawyers, and our PRC

auditing firm, which is a PRC accounting firm established in 1993 specializing in the provision of audit and consulting services. The investigation showed that the allegations made were without any merit and that no false contracts were identified and no such payments were made for the purpose of paying kickbacks through false contracts.

The second letter alleged that all accounting items for MP Shanghai for the years ended December 31, 2004, 2005 and 2006 had been modified to meet the listing requirements in the U.S. and that such practices deviate from the fairness and objectiveness requirements for audit work. We conducted our own internal investigation into the allegations and also discussed the matter with an independent external PRC-based consulting firm, which was founded in 2002 and provides initial public offering advisory and risk management services, including with respect to U.S. listing requirements. This consulting firm delivered a report to the board of directors of MP Shanghai confirming that it had conducted substantial financial due diligence on our Company and listing compliance review and concluded that we were in compliance with the U.S. rules and listing standards.

The third letter alleged primarily that Dr. Zhaohua Chang had caused our Company to purchase raw materials of poor quality and at inflated prices from a particular supplier and that a portion of the purchase price was kept by Dr. Zhaohua Chang. It also alleged that we paid the import customs duties for Dr. Zhaohua Chang's personal car. To address these allegations, we conducted an investigation with the assistance of our then PRC legal advisers, King & Wood PRC Lawyers. The investigation showed that the allegations made were without any merit and that such purchase of raw materials was not of the alleged poor quality and not at the alleged inflated prices, and Dr. Zhaohua Chang did not keep any portion of the purchase price. The import customs duties for Dr. Zhaohua Chang's personal car were indeed paid by us, but they were paid as benefits to him as our Director.

Based on the investigations conducted, our Directors concluded in the case of each of the three anonymous complaint letters that the allegations made in such letter were without any merit. We believe that our Company has taken all reasonable steps to investigate the validity of each of the allegations made in those letters. For a discussion of certain related risks, see "Risk Factors — Risks related to our Company — We have received, and may continue to receive, anonymous letters alleging misconduct by our Company or agents. Any such complaints may lead to the discovery of illegal conduct, and even if the allegations are determined to be meritless, the investigation of those allegations can be costly and significantly divert our management's attention from the operation of our business." in this prospectus.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Board has taken the incident involving Mr. Hao Heping which is discussed under "Special Incident" above very seriously, and we engaged in an internal investigation in relation thereto in the fourth quarter of 2006. We have also taken various steps to improve our corporate governance procedures and enhance the composition of our senior management and Board, as well as review and enhance our internal controls, with the purpose of ensuring that we have proper checks and balances in place at both the Board and senior management levels to minimize the likelihood that compliance issues will arise in the future. Each of these steps is described below.

Internal investigation

In late 2006 we engaged our then PRC legal advisers, King & Wood PRC Lawyers, to conduct an investigation which included primarily a review of the documents related to Mr. Hao's court case and interviews with the relevant PRC prosecutor in such case, officials of SFDA and its Shanghai branch and current and former employees of MP Shanghai. King & Wood PRC Lawyers is a large PRC law firm established in 1993, with extensive experience in corporate governance and regulatory compliance matters and offices across China and in New York, Silicon Valley, California, Tokyo and Hong Kong.

In addition, in late 2006, we engaged a large U.S.-based law firm with 30 offices around the world, including Shanghai, which has extensive experience in internal investigations and corporate compliance matters,

and the fraud investigation and dispute services group of one of the world's largest international accounting firms, to conduct a further investigation of this incident and our internal controls. The investigation by these two parties entailed both a document review of legal and financial records and interview of current and former employees of MP Shanghai and other parties.

Such investigation revealed that we had deficiencies in our internal controls, including those relating to our sales practices and our system of reimbursing sales personnel for expenses used to promote and sell our products. For example, we had no effective system to monitor or assess the correlation between the receipts for expenses sought to be reimbursed and the business purpose of such expenses. As a result of these deficiencies in our internal control systems, we might not have been able to detect and prevent improper practices by our officers and employees. The U.S.-based law firm and the international accounting firm conducting the investigation recommended to our Company that we systematically review our internal controls and procedures in these areas, make improvements where necessary and enhance the overall training of our officers and employees regarding compliance matters.

Corporate governance

Our business is governed at two levels: by our senior management, acting primarily through our executive committee, and by our Directors. Our executive committee was established in May 2006, and it serves as the overall leadership team of our Company and coordinates, and makes decisions with regard to, day-to-day administrative, operational and managerial matters of our business. The operation of the executive committee is summarized as follows:

- The executive committee typically meets on a weekly basis.
- Before each executive committee meeting, an agenda is prepared with input from senior management and other vice presidents.
- Decisions at the executive committee meetings are made by consensus of the members and no decisions are made by a single member.
- The minutes of the executive committee meetings, which are signed by all attendees, are circulated to our Board for review.
- After each Board meeting, the Board secretary will report the decisions made by the Directors at the Board meeting to the executive committee for further action.

In October 2006, in order to better execute and implement the decisions made by our executive committee with regard to the day-to-day operation and management of our business, we established the practice of holding a weekly management meeting of our senior management and all other vice presidents, including our executive committee members. At these weekly management meetings, the vice presidents and senior management discuss the implementation of the decisions made by the executive committee and provide updates on the day-to-day operation of the respective departments.

Our Directors are responsible for overseeing the overall activities of the executive committee and making significant decisions with respect to our business, such as appointing executive officers, engaging in strategic planning and adopting or revising corporate policies. The Board's operation, including its interaction with the executive committee, is summarized as follows:

- The Board typically meets in-person at least once each quarter or more often, as necessary. With respect to urgent matters which arise between scheduled Board meetings, the Board secretary may also seek Board approval via telephone conference call or written Board consent.

- Before each Board meeting, an agenda is prepared with input from Directors, as well as from senior management and other vice presidents including our executive committee members.

- At Board meetings, depending on the agenda, different department heads will report to the Board on the relevant agenda items, as necessary. The Board secretary attends all Board and executive committee meetings to ensure that there is no gap in communication between the two bodies.

- During Board meetings, the Board will on occasion instruct the executive committee members to perform further review and/or analysis of a particular issue and report their findings at the next Board meeting.

- The Board regularly reviews executive committee minutes and our financial statements, and Directors will discuss their comments, if any, with the responsible persons through emails or calls.

We have recently implemented a new code on September 6, 2010 which clearly delineates the roles and authorities, as summarized above, of the executive committee, the senior management and the Board.

Our Directors believe that this structure provides an appropriate system of checks and balances to improve our corporate governance procedures in a number of important respects. For example, decision-making at the executive committee level ensures that our day-to-day decisions are made by consensus of our senior management after each officer has had an opportunity to provide relevant input based on information exchanged during the weekly management meetings of our senior management and all other vice presidents. In addition, it is important to note the composition of our executive committee, which includes long-term employees, such as Ms. Yan Zhang, our Director, president and compliance officer, Mr. Qiyi Luo, our Director and chief technology officer, and Mr. Philip Li Wang, our chief operating officer. It also includes newer employees, such as Mr. Yufei Hu, our vice president of finance, Mr. Kongrong Karl Pan, our vice president of manufacturing and operation, and Mr. Hongbin Sun, our Director and chief financial officer.

Moreover, our Board is composed of individuals with varied backgrounds and affiliations, including four executive Directors, Dr. Zhaohua Chang, our founder and chairman of our Company, Ms. Yan Zhang, Mr. Hongbin Sun and Mr. Qiyi Luo, three non-executive Directors, Mr. Hiroshi Shirafuji and Mr. Norihiro Ashida (who are representatives of our Controlling Shareholder, Otsuka Pharmaceutical) and Mr. Xiaolong Liu (who is a representative of another shareholder), and three independent non-executive Directors, Mr. Zezhao Hua, Mr. Guoen Liu and Mr. Jonathan Chou. Thus, no group of affiliated Directors is able to control the decision-making of our Board. Similarly, at the shareholder level, our largest shareholders, Otsuka Pharmaceutical, Shanghai Zhangjiang Holdings and its affiliates and We'Tron Capital, are independent of each other and are not subject to any voting agreement.

In particular, our Directors are of the view that the involvement of Otsuka Pharmaceutical in our Company's operations and governance is useful in maintaining appropriate supervision of our business. Mr. Hongbin Sun, a former employee of a subsidiary of Otsuka Pharmaceutical, is our Director and chief financial officer, and he had regularly reviewed our financial statements for the last several years on behalf of Otsuka Pharmaceutical, along with the two representatives of Otsuka Pharmaceutical which serve on our Board. Mr. Sun was also a supervisor of MP Shanghai until July 2010 and regularly attended meetings with the directors and management of MP Shanghai. In addition, one of our distributors in Japan, which is a subsidiary of Otsuka Pharmaceutical, inspects our manufacturing facilities and our quality management system periodically, and we also receive certain advice regarding quality control from such distributor from time to time, on an as-needed basis, as described above in "— Quality control."

For further details on the background and experience of our Directors and senior management, see "Directors and Senior Management" in this prospectus.

Internal controls and training

To address the issues identified in the internal investigation described above and to generally enhance our internal control and compliance environment, we started to improve our internal controls and procedures in 2007. In that year, we engaged two consulting firms which specialized in analyzing, testing and enhancing internal controls and procedures and worked with them to make improvements where necessary. One of the consultants is Protiviti Shanghai Co., Ltd. ("Protiviti"), a global business consulting and internal audit firm composed of experts specializing in risk, advisory and transaction services, with approximately 2,500 employees in more than 60 offices worldwide. Protiviti reviewed and assessed our internal control system and the following table sets forth a summary of the principal weaknesses identified by Protiviti, measures recommended by Protiviti and measures implemented by us. The other consultant is a Hong Kong-based company that specializes in, among other things, providing advisory services to companies and directors on how they can develop and improve their corporate governance and compliance programs. This consultant provided consulting advice to us in relation to, among other things, the development of an ethics and compliance culture within our Company.

Findings of weakness	Measures recommended by Protiviti	Measures implemented by our Company
Our Company did not establish an authority delegation policy as the guideline for the approval hierarchy over material processes and transactions.	Our Company should establish an authority delegation policy for the approval hierarchy over material processes and transactions such as disbursements, contractual arrangements, investments, reimbursements and treasury.	Our Company established an authority delegation policy which sets forth, among other things, the types of authority, the delegation principles, the daily monitoring and periodic reporting mechanism, and the detailed approval hierarchy for different processes and transactions.
Our Company did not develop financial closing procedures to determine the steps of the monthly financial closing and the responsibilities of the related personnel involved in the monthly financial closing.	Our Company should establish formal financial closing procedures to standardize the financial closing process and ensure the completeness and accuracy of our financial reports.	Our Company developed a work flow of monthly financial closing which standardizes the financial closing tasks, timelines and responsible persons. Such flow is followed every month and signed off by responsible finance personnel (including personnel responsible for accounts payable, accounts receivable, general ledger and costing) to ensure all financial closing tasks are completed in a timely manner.
Our Company did not establish a policy to monitor the process of sales samples.	Our Company should establish formal procedures on sales samples to control our operating cost effectively.	Our Company established a policy of sales sample management, which provides that the formal application form for sales samples should be approved by the relevant department head, vice president of quality, finance controller, vice president of manufacturing and operation and vice president of finance.

Findings of weakness	Measures recommended by Protiviti	Measures implemented by our Company
Our Company participated in various academic meetings. However, we did not have policy to manage and monitor meeting expenses.	Our Company should establish a policy to manage and monitor meeting related expenses effectively.	Our Company established policies for domestic meetings and overseas meetings to ensure the validity of the meeting expenses and to control our operating cost effectively.
Our Company provided business credit cards to certain senior management. However, our Company did not develop a policy to standardize the procedures of business credit card usage and repayment.	Our Company should establish a formal policy to standardize the management of business credit cards.	Our Company established a policy of business credit card management, which states that the application and repayment of business credit cards should be approved by designated management (including the relevant department head, finance controller, vice president of finance and president).
Our Company did not prepare a tax manual to specify the daily operation of tax related matters.	Our Company should prepare a tax manual to formalize the daily operation of tax related matters.	Our Company prepared a tax management policy to formalize the daily operation of tax related matters, including the procedures of tax payments and tax returns.

Since Protiviti's review, in addition to the measures implemented as set forth in the table above, we have implemented various measures to improve our internal controls and procedures. In 2007, we established a compliance program and adopted new policies which apply to all personnel in our Company (totaling 1,196 employees as of March 31, 2010), including a code of business conduct (which was updated in 2009), which includes procedures for anonymously reporting suspected misconduct and complaints, concerns and information regarding accounting matters. We have also adopted a comprehensive anti-corruption manual on September 6, 2010. In addition, in 2008, we adopted new reimbursement and disbursement policies which, among other things, clarified signing authorities for all levels within our Company, standardized approval procedures and reimbursement caps for entertainment, travel and other expenses and provided additional standards and guidance for permissible expenses. We have also established a comprehensive document management system that contains all contracts and important business documents to enable our management to effectively review and monitor important documents involving our Company, as well as standardize our contracts with distributors and suppliers to include representations and warranties regarding their compliance with applicable laws. In preparation for the Global Offering, we have been working with Protiviti to implement additional measures to further enhance our internal controls as described below. See "Risk Factors — Risks related to our Company — If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected" in this prospectus.

In addition to enhanced controls and procedures, we have been providing extensive and ongoing training to all of our personnel since 2008. The training encompasses both general awareness training for employees which is designed to give an understanding of all of our controls, procedures and policies, in particular those that are relevant to their role in our Company. One of the primary goals of this training is to ensure that our employees understand their compliance obligations and, for employees who have regular contact with outside parties such as hospital administrators, physicians and SFDA officials, to discuss appropriate ways to balance or maintain close working relationships without engaging in impermissible conduct so that incidents similar to the special incident will not happen again in the future. We have also been providing comprehensive implementation training since 2008 to department managers to enable them to provide supplement training and guidance to employees within their department. In addition, our Hong Kong-based consultant referenced above provided

compliance training to our Directors in 2007, and we have been providing annual training to our distributors on anti-bribery since 2009. Further, in light of this special incident and in preparation for the Global Offering, Dr. Zhaohua Chang has received various training including (i) the foregoing compliance training provided by the referenced Hong Kong-based consultant to our Directors in 2007, (ii) training on continuing obligations of a Hong Kong listed company and its directors provided by our Company's Hong Kong counsel in March 2010, and (iii) training on internal control and anti-corruption provided by Protiviti in July 2010. These training sessions further enhanced (i) Dr. Zhaohua Chang's awareness of potential corruption situations and the corresponding anti-corruption internal control measures adopted by our Company and (ii) Dr. Zhaohua Chang's knowledge of the Listing Rules and the fiduciary duties, and duties of skill, care and knowledge required of a directors of a listed company in Hong Kong. As such, we believe that Dr. Zhaohua Chang had, and continues to have, the competence and integrity commensurate with his position as a Director of our Company.

The foregoing measures have been fully implemented, and they form an integral part of our operations. We are not aware of any subsequent incidents of the same or similar nature as those described above under "Regulations — Anti-corruption and special incident involving our Company." Based on the absence of any subsequent incidents and our Directors' supervision of and regular interaction with management's executive committee, we are of the view that such measures have been effective to date. We also plan to engage an independent consultant to perform annual reviews of our internal control system after the Listing, the result of which will be published in our annual reports.

In addition, in preparation for the Global Offering, we engaged Protiviti in early 2010 to reassess and further improve our internal control system. Protiviti confirmed that all of the principal weaknesses identified by it in 2007 have been rectified effectively by us and measures recommended by it have been effectively implemented by us, including measures implemented by us to address deficiencies in reimbursement and disbursement policies, and permissible expenses. To further strengthen and formalize our relevant policies and control procedures, Protiviti has recommended measures for improvement, all of which have been adopted and implemented by us, as summarized below.

Findings of weakness	Measures recommended by Protiviti	Measures implemented by our Company
Lack of formalized controls over user access to our financial system. User access to our financial system was assigned by our information technology department without formal application and approval. In addition, there was no periodic review of user access to our financial system.	Our Company should establish formal application and approval procedures for the user access to our financial system. Written application form and management approval should be required for each user access request. Our finance department and system administrator should periodically review the user access list in the system to ensure all modifications are valid and consistent with supporting documents.	Our Company established a policy of user access management to formalize the procedures of user access application and approval. A user access application form is adopted for new access application, which should be approved by the relevant department head and information technology manager. Our information technology department will perform periodic review on the user access list.
Our accounting policies did not include the following: • definition of non-routine transactions and related approval procedures; and • approval procedures for changes to the accounting policies.	The accounting policies should be updated to define the major types of non-routine events and transactions. Information about significant non-routine transactions should be documented for management review and approval prior to recording. Changes made to the accounting policies should be approved our audit committee.	Our Company updated the accounting policies accordingly, which define the types of non-routine transactions and the approval procedures. Changes to the accounting policies will be approved by our audit committee.

Findings of weakness	Measures recommended by Protiviti	Measures implemented by our Company
Our Company did not have a standard policy to formalize the management of building and construction projects, including project application and approval, project inspection and examination and other monitoring activities.	Our Company should establish a policy to formalize the procedures of application, approval and monitoring for building and construction projects.	Our Company established a policy of capital construction management to formalize the procedures of project application, approval, execution and monitoring activities.
Our Company did not establish standard policies with regard to our information technology management.	Our Company should establish information technology policies to formalize our information technology practice and procedures.	Our Company established relevant information technology policies.
Our Company did not develop formal procedures for accounts payable confirmation.	The current finance policy should be updated to include the procedures for accounts payable confirmation. The account payable confirmation should be sent to principal suppliers periodically and the replies to the confirmation should be reviewed and checked against the financial records.	Our Company updated our finance policy accordingly. Our accounts payable confirmation with principal suppliers will be performed every half a year and the results will be reviewed.
Our Company did not finalize the guideline for the management of government subsidies.	Our Company should finalize and internally disseminate the policy of government subsidies to standardize the procedures of application, authorization and supervision of government subsidies.	Our Company finalized and internally disseminated the policy with respect to the management of government subsidies.

JOINT SPONSORS' CONFIRMATION ON LISTING RULE 3A.15(5)

In accordance with Listing Rule 3A.15(5), each of the Joint Sponsors by relying primarily on the works of Protiviti, has made a formal statement to the Hong Kong Stock Exchange that having made reasonable due diligence inquiries, including interviewing Protiviti to understand its assessment of the Company's current internal control systems and discussing with Protiviti the contents of its internal control reports, it has reasonable grounds to believe, and does believe, that the Company has established procedures, systems and controls (including accounting and management systems) which are adequate having regard to the obligations of the Company and its directors to comply with Listing Rules and other relevant legal and regulatory requirements (in particular Listing Rules 13.09, 13.10, 13.46, 13.48 and 13.49, Chapters 14 and 14A and Appendix 16) and which are sufficient to enable the Company's directors to make a proper assessment of the financial position and prospects of the Company and its subsidiaries both before and after the Listing.