You should read the following discussion and analysis together with our consolidated financial statements and the notes thereto as of December 31, 2007, 2008 and 2009 and March 31, 2010 and for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, included in the Accountants' Report set out in Appendix I to this prospectus. The consolidated financial statements have been prepared in accordance with HKFRS. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

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 are also developing a range of EP and orthopedic devices and other medical devices.

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. 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.

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%.

FACTORS AFFECTING OUR RESULTS OF OPERATION

The major factors affecting our financial condition and results of operation include:

Government price controls

In China, the government maintains a high level of involvement in the determination of retail prices 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. 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. We negotiate with our distributors to share such reductions when they occur, typically targeting to reduce the price paid by the distributor by approximately half of the amount of the decline in the retail price.

The method for conducting the tender process in China has changed frequently in the last several years and will change again in the tenders scheduled to be completed by October 2010. Moreover, in November 2009, NDRC, MOH and MOHRSS jointly issued a Notice of Opinion on Reform of Pricing System of Pharmaceuticals and Medical Services, pursuant to which NDRC will strengthen its intervention in the pricing of medical devices (including high value medical devices), limit the profit margins of the participants in the supply chain for medical devices and periodically announce market price information of medical devices. Accordingly, NDRC may determine that our or our distributors' profit margins of some or all of our products are too high and therefore lower the retail prices of our products. See "Regulations — Pricing and tender process" and "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." in this prospectus.

In the tenders held in 2005, 2006 and 2008, retail prices for Firebird, our principal product in those periods, decreased by approximately 20.7% from 2005 to 2006 and 6.1% from 2006 to 2008. We cannot predict the outcome of the tenders to be completed by October 2010, although we anticipate further reductions to the retail prices of our products. The tendering process remains highly uncertain and subject to change, and if retail prices or the prices paid by our distributors are subject to reductions, our revenue could decline and our business, financial condition and results of operation could be materially and adversely affected.

During the Track Record Period, all products which we submitted in connection with the tenders described above have been included in the tenders and approved for sale.

Competition

We compete in a highly competitive market, which is significantly affected by the introduction of new products and price reductions by industry participants. 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, or will face, competition from numerous other domestic and international medical device manufacturers with respect to other vascular stents and devices for the treatment of arrhythmia, diabetes and orthopedic disorders. If we are not be able to compete effectively against current and future competitors, our business, financial condition and results of operation may be materially and adversely affected. See "Business — Competition" and "Risk Factors — Risks related to our industry — Our competitors may have substantially greater resources than we do and may be able to develop more effective products or offer their products at lower prices than we can, which could materially and adversely impact our business, financial condition and results of operation." in this prospectus.

In an effort to maintain and enhance our market share in this highly competitive and changing environment, we implement special sales policies and discounts, as well as adjust our prices to distributors, from time to time depending on market conditions. For example, in 2008 we adopted a sales discount policy, primarily for Firebird, whereby a majority of distributors received one free product for every five products purchased. We discontinued that sales discount policy in 2009 and commenced offering discounts off of the price of certain of our products when specified sales volume targets are satisfied by distributors. As a result of the foregoing pricing adjustments and the 2008 government tender described above, the average price of Firebird and Firebird 2 decreased by 17.6% in 2008 compared to the average selling price of Firebird in 2007, and the average price of Firebird and Firebird 2 decreased slightly between 2008 and 2009. We may be required to adopt additional sales incentives and/or lower the prices of our products in future periods to remain competitive in the markets in which we operate.

Growth of the medical device market in China, in particular for vascular devices

Our financial results have been, and we expect them to continue to be, dependent to a significant extent on the overall growth in the medical device market in China, in particular for vascular devices. According to the World Medical Markets Fact Book 2009 published by Espicom Business Intelligence, China's medical device market is projected to grow from US$6.2 billion in 2009 to US$10.5 billion in 2014. Factors driving growth for the industry include increasing consumer wealth, a growing and aging population, changes in people's lifestyle, the ongoing healthcare reform in China, the growing number of catheter laboratories and physicians who have been trained to perform interventional cardiology procedures in China, increasing government focus on improving the quality of healthcare, improvement of the hospital system and emergence of private healthcare insurance. We expect that these factors will continue to spur demand for medical devices in China for the foreseeable future.

Sales, marketing and distribution

Although patients are the end users of our products, purchasing departments of hospitals decide what products to stock and doctors typically recommend to patients what products to use. Accordingly, maintaining good relationships with hospitals and doctors is important for sales of our existing and future products. Currently, we sell all of our products through independent distributors which in turn resell them to hospitals in China. We market our medical devices directly to hospitals through regular visits to interventional cardiologists, radiologists, vascular surgeons and other medical professionals by our marketing teams, sponsorship of conferences, seminars and physician education programs and related activities. 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 often 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. Our distributors make sales directly to hospitals and are also responsible for the delivery of products and collection of payments. Our distributors also conduct their own marketing of our products through their sales forces. This approach reduces our accounts receivable days because our distributors bear the credit risk of non-payment or late payment by hospitals, which is common in China.

Future revenue growth will, however, depend on our ability to extend the reach of our marketing activities to more hospitals and to different geographic areas of China where our sales have historically been lower, such as in southern and southwestern China. Our gross margins have been negatively impacted by our use of distributors because our prices to our distributors are lower than what we would charge a hospital if we sold products to the hospital directly. However, it has improved the collection rate of our outstanding accounts receivables, reduced the risk of our bad debt expense and increased our market coverage.

Ability to introduce new products and technologies

The medical device market is highly competitive and characterized by short product life-cycles. Accordingly, our new product development is driven by both our strategy to deepen and broaden our product portfolio and the need for our products to reflect the latest technical developments in the market. 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 a third generation drug-eluting stent, Firehawk, and other stent products. Building on our strong portfolio of interventional cardiology and other vascular devices and our technical expertise in minimally invasive devices, we are expanding into other medical device markets which offer significant growth opportunities and are currently underserved in China, including devices for the treatment of arrhythmia, diabetes and orthopedic disorders. We plan to increase our research and development expenses in the future to develop additional new products. In addition, we may also license third-party technologies, which could increase our expenses.

Our success in developing and selling our new products is dependent on our ability to:

- develop and launch new products in the markets we are targeting that are comparable or superior to other competing products in the market in terms of safety, efficacy, price, ease of use and other factors deemed important by doctors and patients;

- obtain regulatory approval; and

- effectively use our sales and marketing activities and our distribution network to gain market acceptance for our new products.

Each of these steps is costly and time-consuming. In addition, the sales of our new products could be adversely affected by negative results from post-launch clinical studies on our products, or by negative publications about competitive products. See "Risk Factors — Risks related to our Company — Our future growth is dependent upon our ability to develop new products, which requires significant research and development efforts, clinical trials and regulatory approvals, and our investment in new products may not result in any commercially viable products." in this prospectus.

Taxes and incentives

On March 16, 2007, NPC passed the CIT Law. The CIT Law which became effective on January 1, 2008 replaced the previous two separate tax legal regimes for FIEs and Chinese domestic companies and imposes a single uniform income tax rate of 25% for all enterprises, including FIEs, unless they qualify under certain exceptions. Although the CIT Law revokes many of the previous tax exemptions, reductions and preferential treatments which were applicable to FIEs, it contemplates various transition periods and measures for previous preferential tax policies enjoyed by the FIEs. FIEs which were established before the promulgation of the CIT Law and were previously entitled to a lower income tax rate will be entitled to a grace period of five years, and enterprises which were entitled to the fixed-term preferential tax exemption or reduction will continue to enjoy such preferential treatment until the expiration of the specified terms, except that the relevant exemption or reduction shall start from January 2008 if the first profit-making year for commencing the relevant exemption or reduction is later than 2008.

Our principal operating subsidiary, MP Shanghai, was exempt from enterprise income tax until 2005, and its enterprise income tax rate for 2006, 2007, 2008, 2009 and 2010 was 7.5%, 7.5%, 9%, 15% and 15%, respectively. See "Regulations — Tax" in this prospectus. We cannot assure you that MP Shanghai will continue to be subject to a preferential tax rate, and, accordingly, MP Shanghai may be subject to the regular income tax

rate of 25%, which would materially and adversely affect our business, financial condition and results of operation. See "Risk Factors — Risks related to doing business in China — Any change in the preferential tax treatment we currently enjoy in the PRC may have a material adverse impact on our business, financial condition and results of operation." in this prospectus.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements and related notes requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our management has discussed the development, selection and disclosure of these estimates with our Directors. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. We believe that the following critical accounting policies are the most sensitive and are those that require the more significant estimates and assumptions used in the preparation of our consolidated financial statements. We also have other policies that we consider to be significant accounting policies, which are set forth in "Accountants' Report — Note 2" in Appendix I to this prospectus.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature, which could change significantly as a result of actions of our competitors in response to changes in market conditions. Our management reassesses these estimations at the balance sheet dates to ensure our inventories are shown at the lower of cost and net realizable value.

Impairment of trade receivables

Our management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of our customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated. Our management reassesses the impairment of trade receivables at the balance sheet dates.

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Our management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on our historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. Our management carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognized for deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized, our management's judgment is required to assess the probability of future taxable profits. Our management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Equity-settled share-based compensation

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a share-based compensation capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. When the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest. This accounting policy also applies to share options granted to outside consultants as those consultants provide personal services similar to services provided by an employee.

During the vesting period, the number of share options that is expected to vest is reviewed by our management. Any adjustment to the cumulative fair value recognized in prior years is charged/credited to the income statement in the year of review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation capital reserve. On vesting date, the amount recognized as an expense is adjusted by our management to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation capital reserve), except where forfeiture is only due to not achieving vesting conditions that relate to the market price of our Company's shares. The equity amount is recognized in the share-based compensation capital reserve until either the option is exercised (in which case it is transferred to share premium) or the vested option expires or is forfeited (in which case it is released directly to retained earnings).

Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by our Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over our Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill.

Goodwill is tested by our management annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. Impairment losses of goodwill are recognized in the consolidated income statements and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

DESCRIPTION OF CERTAIN INCOME STATEMENT COMPONENTS

Revenue

During the Track Record Period, we operated in the following business segments: (i) vascular device business, (ii) diabetes device business and (iii) orthopedic device business, and we currently derive revenue from sales of drug-eluting stents, TAA/AAA stent grafts, bare-metal stents and other products. 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. We primarily sell our products in China. We also export our products to the Asia Pacific region (excluding China), South America and Europe which represented 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 generated RMB421.3 million, RMB484.5 million, RMB557.1 million and RMB175.9 million of revenue from our vascular device business for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, representing 100.0%, 99.9%, 99.3% and 99.5% of our revenue for those periods. We acquired our diabetes device business through an acquisition of another company in June 2008 and generated RMB0.7 million, RMB3.7 million and RMB0.8 million of revenue from that business for the years ended December 31, 2008 and 2009 and the three months ended March 31, 2010, respectively. We commenced our orthopedic device business in 2008 and incurred a net loss of RMB2.9 million, RMB9.8 million and RMB3.3 million in the years ended December 31, 2008 and 2009 and the three months ended March 31, 2010, respectively, as that business has been, and remains currently, in the research and development stage. The segment profit/loss represents the net profit/loss of each business segment excluding unallocated corporate expenses and dividend withholding tax.

The following table sets forth the breakdown of our revenue and gross profit margin by business segments for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

	Year ended December 31,									Three months ended March 31,					
	2007			2008			2009			2009			2010		
	RMB'000	% of Revenue	Gross profit margin	RMB'000	% of Revenue	Gross profit margin	RMB'000	% of Revenue	Gross profit margin	RMB'000	% of Revenue	Gross profit margin	RMB'000	% of Revenue	Gross profit margin
Vascular device business	421,263	100.0	86%	484,531	99.9	82%	557,056	99.3	86%	137,268	99.8	88%	175,923	99.5	87%
Diabetes device business	—	0.0	—	711	0.1	38%	3,670	0.7	49%	302	0.2	28%	804	0.5	77%
	421,263	100.0	86%	485,242	100.0	82%	560,726	100.0	86%	137,570	100.0	87%	176,727	100.0	88%

The following table sets forth the breakdown of our revenue by products for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

	Year ended December 31,						Three months ended Mach 31,			
	2007		2008		2009		2009		2010	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
Drug-eluting stents	376,620	89.4	421,748	86.9	484,096	86.3	122,591	89.1	153,545	86.9
TAA/AAA stent grafts	18,199	4.3	23,075	4.8	28,864	5.2	7,391	5.4	12,843	7.3
Bare-metal stents	15,032	3.6	18,217	3.7	20,288	3.6	2,389	1.7	3,261	1.8
Other products	11,412	2.7	22,202	4.6	27,478	4.9	5,199	3.8	7,078	4.0
	421,263	100.0	485,242	100.0	560,726	100.0	137,570	100.0	176,727	100.0

The following table sets forth the breakdown of our revenue by geographic markets for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

	Year ended December 31,						Three months ended March 31,			
	2007		2008		2009		2009		2010	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
China	378,113	89.7	433,286	89.3	501,252	89.4	129,587	94.2	164,440	93.0
Asia Pacific (excluding China)	14,343	3.4	22,902	4.7	31,192	5.5	6,333	4.6	5,303	3.0
South America	20,104	4.8	16,629	3.4	15,495	2.8	1,650	1.2	5,551	3.2
Europe	8,703	2.1	12,425	2.6	12,787	2.3	—	—	1,433	0.8
	43,150	10.3	51,956	10.7	59,474	10.6	7,983	5.8	12,287	7.0
	421,263	100.0	485,242	100.0	560,726	100.0	137,570	100.0	176,727	100.0

The following table sets forth the number of units sold and the average selling price of our drug-eluting stents, TAA/AAA stent grafts and bare-metal stents for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

	Year ended December 31,						Three months ended March 31,			
	2007		2008		2009		2009		2010	
	Number of units sold	Average selling price (RMB)	Number of units sold	Average selling price (RMB)	Number of units sold	Average selling price (RMB)	Number of units sold	Average selling price (RMB)	Number of units sold	Average selling price (RMB)
Drug-eluting stents — Firebird	81,517	4,620	107,059[1]	3,795	11,603	2,796	2,566	3,197	2,094	2,512
Drug-eluting stents — Firebird 2	—	—	3,704	4,180	116,092	3,856	29,007	3,943	38,233	3,878
Drug-eluting stents — total	81,517	4,620	110,763	3,808	127,695	3,791	31,573	3,883	40,327	3,807
TAA/AAA stent grafts	900	20,181	1,199	19,212	1,519	19,002	373	19,814	674	19,054
Bare-metal stents	17,621	764	24,645	665	31,764	638	2,842	841	5,525	590

Note:

(1) *The number includes 12,548 units of Firebird which we gave to certain distributors as part of our one free product for every five products purchased sales discount policy for distributors as described in "— Description of certain income statement components — Cost of sales" below.*

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.

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. Pursuant to our contractual arrangements, our distributors usually have no right to return our products, but we offer to exchange any product that is found to have defective interior packaging within three days of the customer discovering such defect, but not refunds. See "Business — Sales, marketing and distribution network" in this prospectus for more details. 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.

Cost of sales

Cost of sales consists primarily of direct costs of production which mainly includes (i) manufacturing overhead costs such as coating costs, depreciation of property, plant and equipment used for production purposes and costs of products consumed during our quality inspection procedures, (ii) direct raw material costs, and (iii) direct labor costs. In addition, in 2008 we incurred a VAT expense of RMB13.6 million as a result of our adoption of a sales discount policy, primarily for Firebird, whereby a majority of our distributors received one free product for every five products purchased. VAT is payable with respect to the free products provided to distributors (as if the free products were sold). We adopted such sales discount policy in order to boost our sales as competition in the market intensified. We ceased such sales discount policy in 2009 to avoid the additional VAT expense charged on the free products. We adopted a new sales discount policy starting in early 2009 whereby we offer direct reductions of the selling price of our products when certain sales volume targets are reached. We also wrote down our inventories in the amount of RMB9.7 million in 2008 for the film or fiber used in our TAA/AAA stent grafts as we were able to source an improved type of film or fiber as a replacement.

The following table sets forth the components of our cost of sales for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

	Year ended December 31,						Three months ended March 31,			
	2007		2008		2009		2009		2010	
	RMB'000	% of Cost of sales	RMB'000	% of Cost of sales	RMB'000	% of Cost of sales	RMB'000	% of Cost of sales	RMB'000	% of Cost of sales
Manufacturing overhead costs	36,492	60.6	36,193	41.3	38,718	49.7	8,450	48.9	11,063	48.8
Direct raw material costs	16,460	27.4	19,708	22.5	25,784	33.0	6,008	34.7	8,184	36.1
Direct labor costs	4,487	7.5	4,954	5.6	10,938	14.0	1,672	9.7	3,096	13.6
VAT related to special sales policy	—	—	13,635	15.5	—	—	—	—	—	—
Provision for reduction of inventories	1,552	2.6	12,464	14.2	2,411	3.1	1,075	6.2	341	1.5
Others	1,180	1.9	749	0.9	186	0.2	85	0.5	—	—
	60,171	100.0	87,703	100.0	78,037	100.0	17,290	100.0	22,684	100.0

Other revenue

Other revenue consists primarily of (i) government grant income and (ii) interest income from bank deposits. We receive government grants from time to time in connection with our research and development projects in the form of interest-free loans, interest-reduced loans and subsidies. We generally recognize such government grants as deferred income upon receipt, and when our research and development products meet the requirements or conditions of the relevant government grants, we recognize the grants as income. 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. We intend to seek additional government grants from time to time in the future, although we cannot be certain if we will receive any new grants or, if they are granted, their amounts and terms and conditions.

Other net (loss)/income

Other net (loss)/income consists of net foreign exchange gains or losses and loss on disposal of fixed assets.

Research and development costs

Research and development costs consist primarily of (i) salaries, bonuses and related expenses for personnel engaged in research and development, (ii) purchases of supplies and materials used in our research and development projects, (iii) depreciation of property, plant and equipment used in connection with our research and development efforts and (iv) costs associated with the conduct of pre-launch clinical trials. Research and development costs also include equity-settled share-based compensation expenses. We receive government grants from time to time in connection with our research and development projects in the form of interest-free loans, interest-reduced loans and subsidies, which we record as other revenue in our consolidated financial statements. See "— Other revenue" above.

During the Track Record Period, our research and development costs increased primarily as a result of our continued investment in research and development projects to develop and bring to market new products in order to enhance and expand our product portfolio. We expect to increase our research and development costs in the future to further enhance our pre-launch clinical trials and develop new products, in particular new vascular, EP, diabetes and orthopedic devices as well as pacemakers.

Sales and marketing costs

Sales and marketing costs consist primarily of (i) costs associated with attending conferences and seminars to promote our products, participating in exhibitions and trade shows of medical devices and sponsoring doctors' conferences, (ii) salaries, bonuses and related expenses for personnel engaged in sales and marketing, (iii) traveling expenses of our sales and marketing personnel and (iv) costs associated with the conduct of post-launch clinical trials. Sales and marketing costs also include equity-settled share-based compensation expenses. We expect that our sales and marketing costs will increase in the future because we intend to increase our marketing efforts to promote our products to hospitals and doctors and to continue to build a strong brand in China, as well as to expand our sales internationally.

Administrative expenses

Administrative expenses consist primarily of (i) salaries, bonuses and related expenses for administrative personnel and management, (ii) depreciation of property, plant and equipment used for administrative purposes, (iii) agent fees paid to professionals such as auditors and legal advisers from time to time in connection with our administrative activities, and (iv) expenses associated with our administrative offices. Administrative expenses also include equity-settled share-based compensation expenses. We expect that our administrative expenses will increase as we hire additional personnel in connection with anticipated growth of our business and in order to further improve our business management.

Equity-settled share-based compensation expenses

The following shares, options and per share data are presented on an actual basis and do not reflect the 10-for-1 share split conditionally adopted by our Company on September 3, 2010.

In February 2004, MP Cayman adopted the 2004 Option Plan, which allowed MP Cayman to grant options to our employees and consultants to purchase up to 10,261,030 ordinary shares. Between February 2004 and June 2005, MP Cayman granted options to purchase 10,261,030 ordinary shares at exercise prices ranging from nil to HK$1.1057 and US$0.38 per share to our employees and consultants, including 11 consultants who were individuals and provided consultation services to us primarily regarding the development and marketing of our products. As of December 31, 2006, MP Cayman issued 8,869,245 ordinary shares pursuant to the exercise of share options granted. In January 2007, our Company entered into a transfer and assumption agreement with

MP Cayman pursuant to which our Company assumed all outstanding and unexercised options under the 2004 Option Plan.

In August 2006, our Company adopted the 2006 Incentive Plan, which allows us to grant options to our employees and consultants to purchase up to 6,009,157 ordinary shares. Between March 2007 and October 2009, we granted options to purchase 6,195,362 ordinary shares (of which 3,169,743 ordinary shares were forfeited as a result of the termination of employment) at exercise prices ranging from US$1.267 to US$4.25 per share. We granted share options to our employees and consultants in different tranches, with each tranche vesting over a service period from the respective grant date.

The fair value of options granted by MP Cayman and our Company at the date of grant is amortized over the applicable vesting period of the options. The resulting expense is allocated to research and development costs, sales and marketing costs and administrative expenses, depending on the responsibilities of the employees and consultants who were granted the options. The amortization of compensation expenses is adjusted to reflect forfeitures of options resulting from termination of employment. In 2008, we made a reversal of the compensation expenses associated with share options which terminated as a result of the resignation of certain members of our management in 2008 (net of the impact of reversals resulting from forfeitures of unvested options). The following table shows our total equity-settled share-based compensation expenses for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

	Year ended December 31,			Three months ended March 31,	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Research and development costs	648	815	781	354	327
Sales and marketing costs	4,755	2,223	2,197	997	922
Administrative expenses	16,211	(2,764)	1,863	864	798
	21,614	274	4,841	2,215	2,047

In March 2010, our Board and Shareholders approved a reduction of the exercise price for share options granted on May 17, 2007, June 14, 2007, July 25, 2008 and December 1, 2008 under the 2006 Incentive Plan from US$4.25 to US$3.062. This reduction of exercise price resulted in an incremental adjustment of the fair value of those options in the amount of RMB2.2 million, which will be recognized in our consolidated income statements over the remaining vesting periods of the options from the date of such approval.

For further information on our Company's share option grants, see "Accountants' Report — Note 24" in Appendix I to this prospectus.

Other operating costs

Other operating costs consist primarily of (i) donations made from time to time for various charitable purposes such as for the victims of earthquakes and other natural disasters, (ii) fees paid in 2007 and 2008 which were incurred in connection with our earlier planned listing of our Shares in the United States, which was aborted and (iii) impairment of trade receivables.

Finance costs

Finance costs consist primarily of (i) dividends on and change in fair value of preference shares and (ii) interest on borrowings.

Preference shares are classified as a liability on our consolidated balance sheets because they are redeemable at the option of the holder. However, because the redemption price is not fixed, the liability is

initially recognized at fair value and remeasured at each balance sheet date with changes in the fair value of the preference shares recorded in our consolidated income statements under finance costs. The change in fair value of our preference shares was RMB28.7 million, RMB2.0 million, RMB10.2 million and RMB1.7 million in 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively. Dividends on preference shares are recognized on an accrual basis in income statements as part of finance costs.

Income tax

Cayman Islands

Our Company was incorporated in the Cayman Islands and is not subject to tax on income or capital gain under the current laws of the Cayman Islands. In addition, no withholding tax is imposed on any payment of dividends by our Company.

British Virgin Islands

MP Medical and Leader City were incorporated in BVI and are not subject to tax on income or capital gain under the current laws of BVI. In addition, no withholding tax is imposed on any payment of dividends by MP Medical and Leader City.

The Netherlands

MP B.V. was incorporated in The Netherlands and is subject to corporate income tax of The Netherlands, which has been charged at progressive rates ranging from 20% to 25.5% for 2007 to 2010.

PRC

Prior to January 1, 2008, in accordance with the FIE Income Tax Law and the related implementing rules, FIEs incorporated in the PRC were generally subject to an income tax rate of 33% (30% of state income tax plus 3% local income tax). The FIE Income Tax Law and the related implementing rules provided certain favorable tax treatments to certain FIEs and enterprises which were registered and operated in specified economic development zones or Pudong New Area in the PRC. PRC domestically invested companies were governed by the Enterprise Income Tax Law of the PRC and were generally subject to an income tax rate of 33%.

In March 2007, NPC adopted the CIT Law that imposes a single uniform income tax rate of 25% for most domestic enterprises and FIEs. The CIT Law became effective on January 1, 2008. It contemplates various transition periods and measures for existing preferential tax policies, including a grace period for as long as five years for FIEs which were entitled to a lower income tax rate before the promulgation of the CIT Law and continued the implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. Moreover, the CIT Law provides that, if an enterprise incorporated outside the PRC has its “de facto management organization” located within the PRC, the enterprise may be recognized as a “PRC resident enterprise” and thus may be subject to an enterprise income tax at the rate of 25% on its worldwide income. Under the implementation rules for the CIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC tax authority promulgated a circular to clarify the criteria for determining whether the “de facto management bodies” are located within the PRC for enterprises incorporated overseas with controlling shareholders being PRC enterprises. However, the relevant PRC laws and regulations remain unclear regarding how the PRC tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise as in our case. Substantially all of our management team members reside in the PRC. If most of them continue to reside in the PRC, our Company may be deemed a PRC resident enterprise and therefore subject to the PRC enterprise income tax at a rate of 25% on our worldwide income.

According to the CIT Law and related regulations, the preferential tax treatments MP Shanghai currently enjoys will remain unchanged during the grace period. MP Shanghai is registered and operates in the Pudong New Area and is entitled to a preferential enterprise income tax rate of 15% for the period from January 1, 2009 to December 31, 2010. In addition, as a wholly foreign-owned enterprise engaged in a manufacturing business, MP Shanghai is entitled to an exemption from the enterprise income tax for its two financial years from its first profit-making year from a PRC tax perspective, which were 2004 and 2005, and to a 50% reduction of its applicable enterprise income tax rate for the succeeding three years, which were 2006, 2007 and 2008. As a result, MP Shanghai was exempt from enterprise income tax until 2005, and its enterprise income tax rate for 2006 and 2007 was 7.5%. According to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax, companies which enjoyed a preferential tax rate of 15% before the promulgation of the CIT Law will be subject to a gradual increase of tax rate from 15% to 25% over five years after January 1, 2008, and the tax rate applicable to such companies in 2008, 2009, 2010, 2011 and 2012 is 18%, 20%, 22%, 24% and 25%, respectively. In 2008, MP Shanghai continued to enjoy the tax holiday preferential tax treatment and was entitled to a 50% reduction of its applicable enterprise income tax rate. Therefore, the income tax rate applicable to MP Shanghai was 9% in 2008. In November 2008, MP Shanghai was recognized as a High and New Technology Enterprise and was subject to a preferential tax rate of 15% for 2009 and 2010. Our other PRC subsidiaries are subject to an income tax rate of 25%.

RESULTS OF OPERATION

The following table sets forth a summary of our consolidated income statements by amount and as a percentage of our revenue for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

	Year ended December 31						Three months ended March 31,			
	2007		2008		2009		2009		2010	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
Revenue	421,263	100.0	485,242	100.0	560,726	100.0	137,570	100.0	176,727	100.0
Cost of sales	(60,171)	(14.3)	(87,703)	(18.1)	(78,037)	(13.9)	(17,290)	(12.6)	(22,684)	(12.8)
Gross profit	361,092	85.7	397,539	81.9	482,689	86.1	120,280	87.4	154,043	87.2
Other revenue	16,637	3.9	20,559	4.2	22,519	4.0	3,059	2.2	1,119	0.6
Other net (loss)/ income	(2,122)	(0.5)	(3,231)	(0.7)	(1,867)	(0.3)	363	0.3	665	0.4
Research and development costs	(54,192)	(12.9)	(59,391)	(12.2)	(86,384)	(15.4)	(15,090)	(11.0)	(25,310)	(14.3)
Sales and marketing costs	(81,350)	(19.3)	(66,244)	(13.7)	(98,177)	(17.5)	(18,851)	(13.7)	(19,545)	(11.1)
Administrative expenses	(54,946)	(13.0)	(48,068)	(9.9)	(50,850)	(9.0)	(9,952)	(7.2)	(13,184)	(7.5)
Other operating costs	(27,264)	(6.5)	(3,036)	(0.6)	(1,022)	(0.2)	(383)	(0.3)	(100)	(0.1)
Profit from operations	157,855	37.5	238,128	49.1	266,908	47.6	79,426	57.7	97,688	55.3
Finance costs	(44,200)	(10.5)	(9,875)	(2.0)	(17,153)	(3.1)	(5,827)	(4.2)	(2,990)	(1.7)
Profit before taxation	113,655	27.8	228,253	47.0	249,755	44.5	73,599	53.5	94,698	53.6
Income tax	(11,424)	(2.7)	(49,405)	(10.2)	(63,382)	(11.3)	(19,212)	(14.0)	(14,643)	(8.3)
Profit for the year/ period	102,231	24.3	178,848	36.9	186,373	33.2	54,387	39.5	80,055	45.3

Three months ended March 31, 2010 compared with three months ended March 31, 2009

Revenue

Revenue increased by 28.5% from RMB137.6 million in the three months ended March 31, 2009 to RMB176.7 million in the three months ended March 31, 2010. The increase was primarily due to an increase in our revenue from drug-eluting stents. We did not generate any revenue from our orthopedic device business during the three months ended March 31, 2009 and 2010.

Revenue from vascular device business

Revenue from sales of drug-eluting stents increased by 25.2% from RMB122.6 million in the three months ended March 31, 2009 to RMB153.5 million in the three months ended March 31, 2010. The increase was primarily due to an increase in the sales volume of Firebird 2. Sales of Firebird 2 increased to 38,233 units in the three months ended March 31, 2010 from 29,007 units in the three months ended March 31, 2009. We believe that the increase in sales volume of Firebird 2 primarily resulted from (i) the overall growth of the market for drug-eluting stents in China, and (ii) the increasing recognition of the quality and performance of Firebird 2 in the medical community and among patients. The average selling price for Firebird 2 decreased slightly in the three months ended March 31, 2010 compared to the same period in 2009.

Revenue from sales of TAA/AAA stent grafts increased by 73.8% from RMB7.4 million in the three months ended March 31, 2009 to RMB12.8 million in the three months ended March 31, 2010. The increase was primarily due to increases in the sales volume of our TAA stent graft, Hercules T, and AAA stent graft, Hercules B. We believe that the increases in sales volume of Hercules T and Hercules B primarily resulted from (i) the overall growth of the market for TAA/AAA stent grafts, and (ii) the commercial launch of Hercules B in September 2009.

Revenue from sales of bare-metal stents increased by 36.5% from RMB2.4 million in the three months ended March 31, 2009 to RMB3.3 million in the three months ended March 31, 2010. The increase was primarily due to an increase in the sales volume of Mustang. We believe that the increase in sales volume of Mustang primarily resulted from the overall growth of the market for bare-metal stents in our international markets.

Revenue from sales of other products increased by 28.1% from RMB4.9 million in the three months ended March 31, 2009 to RMB6.3 million in the three months ended March 31, 2010. The increase was primarily due to increases in the sales volume of our intracranial stent, Apollo, and our operational stent graft, Cronus. We believe that increases in sales volume of Apollo and Cronus primarily resulted from growth in the market demand for such products.

Revenue from diabetes device business

Revenue generated from our diabetes device business increased significantly from RMB0.3 million in the three months ended March 31, 2009 to RMB0.8 million in the three months ended March 31, 2010. The increase was primarily due to an increase in the sales volume of our insulin pump, La Fenice, which we commenced offering following our acquisition of MP Lifescience Beijing (previously named as Beijing Pangerui) in June 2008. We believe that the increase in sales volume of La Fenice primarily resulted from our further enhanced sales and marketing team and increased sales and marketing efforts in the three months ended March 31, 2010.

Cost of sales

Cost of sales increased by 31.2% from RMB17.3 million in the three months ended March 31, 2009 to RMB22.7 million in the three months ended March 31, 2010. The increase was primarily due to a RMB6.2

million increase in direct costs of production mainly resulting from our increased production volume during the period, which was partially offset by a RMB0.7 million decrease in write off of inventories mainly due to the fact that certain of our catheter delivery systems became obsolete in the three months ended March 31, 2009.

Gross profit

As a result of the foregoing factors, gross profit increased by 28.1% from RMB120.3 million in the three months ended March 31, 2009 to RMB154.0 million in the three months ended March 31, 2010, and gross profit margin remained relatively stable in the three months ended March 31, 2009 and 2010.

Other revenue

Other revenue decreased by 63.4% from RMB3.1 million in the three months ended March 31, 2009 to RMB1.1 million in the three months ended March 31, 2010. The decrease was primarily due to a RMB1.1 million decrease in interest income from bank deposits as a result of a decrease in interest rates.

Other net income

Other net income increased by 83.2% from RMB0.4 million in the three months ended March 31, 2009 to RMB0.7 million in the three months ended March 31, 2010. The increase was due to a RMB0.3 million increase in net foreign exchange gain.

Research and development costs

Research and development costs increased by 67.7% from RMB15.1 million in the three months ended March 31, 2009 to RMB25.3 million in the three months ended March 31, 2010. The increase was primarily due to (i) a RMB4.4 million increase in salaries, bonuses and related expenses for personnel engaged in research and development resulting from an increase in the number of our research and development personnel and an increase in salaries and (ii) a RMB3.8 million increase in purchases of supplies and materials used in connection with our increased research and development efforts, in particular for our EP devices, orthopedic devices and pacemakers.

Sales and marketing costs

Sales and marketing costs remained relatively stable in the three months ended March 31, 2009 and 2010.

Administrative expenses

Administrative expenses increased by 32.5% from RMB10.0 million in the three months ended March 31, 2009 to RMB13.2 million in the three months ended March 31, 2010. The increase was primarily due to (i) a RMB1.2 million increase in salaries, bonuses and related expenses for administrative personnel and management resulting from an increase in the number of our administrative personnel and management and an increase in salaries and (ii) RMB1.0 million for the purchase of health-care reference materials.

Other operating costs

Other operating costs decreased by 73.9% from RMB0.4 million in the three months ended March 31, 2009 to RMB0.1 million in the three months ended March 31, 2010. The decrease was primarily due to a RMB0.4 million decrease in donations, which was partially offset by a RMB0.1 million reversal of impairments for trade receivables in the three months ended March 31, 2009.

Finance costs

Finance costs decreased by 48.7% from RMB5.8 million in the three months ended March 31, 2009 to RMB3.0 million in the three months ended March 31, 2010. The decrease was primarily due to a RMB3.5 million decrease in change in fair value of preference shares, which was partially offset by a RMB0.7 million increase in interest in borrowings wholly repayable within five years.

Income tax

Income tax decreased by 23.8% from RMB19.2 million in the three months ended March 31, 2009 to RMB14.6 million in the three months ended March 31, 2010. The decrease was primarily due to a decrease in withholding tax on retained earnings of MP Shanghai. Our effective tax rate decreased from 26.1% in the three months ended March 31, 2009 to 15.5% in the three months ended March 31, 2010.

Profit for the period

As a result of the foregoing factors, profit for the period increased by 47.2% from RMB54.4 million in the three months ended March 31, 2009 to RMB80.1 million in the three months ended March 31, 2010, and net profit margin increased from 39.5% in the three months ended March 31, 2009 to 45.3% in the three months ended March 31, 2010.

Year ended December 31, 2009 compared with year ended December 31, 2008

Revenue

Revenue increased by 15.6% from RMB485.2 million in 2008 to RMB560.7 million in 2009. The increase was primarily due to an increase in our revenue from drug-eluting stents. We did not generate any revenue from our orthopedic device business during 2008 and 2009.

Revenue from vascular device business

Revenue from sales of drug-eluting stents increased by 14.8% from RMB421.7 million in 2008 to RMB484.1 million in 2009. The increase was primarily due to an increase in the sales volume of Firebird, which was commercially launched in 2004, and Firebird 2, which had a small amount of pre-marketing sales in 2008 before its commercial launch in January 2009. Sales of Firebird and Firebird 2 increased to 127,695 units (of which Firebird accounted for 11,603 units and Firebird 2 accounted for 116,092 units) in 2009 from 98,215 units in 2008 (of which Firebird accounted for 94,511 units and Firebird 2 accounted for 3,704 units; the foregoing does not include 12,548 units of Firebird which we gave to certain distributors as part of our one free product for every five products purchased sales discount policy for distributors as described in "— Description of certain income statement components — Cost of sales" above). We believe that the increase in sales volume of our drug-eluting stents primarily resulted from (i) the overall growth of the market for drug-eluting stents in China, (ii) the commercial launch of Firebird 2 in January 2009, and (iii) the increasing recognition of the quality and performance of Firebird and Firebird 2 in the medical community and among patients. The average selling price for Firebird and Firebird 2 decreased slightly between 2008 and 2009.

Revenue from sales of TAA/AAA stent grafts increased by 25.1% from RMB23.1 million in 2008 to RMB28.9 million in 2009. The increase was primarily due to an increase in the sales volume of our TAA stent graft, Hercules T. Revenue from sales of other products increased by 10.8% from RMB21.5 million in 2008 to RMB23.8 million in 2009. The increase was primarily due to increases in the sales volume of our intracranial stent, Apollo, and our operational stent graft, Cronus. We believe that the increases in sales volume of Hercules T, Apollo and Cronus primarily resulted from growth in the market demand for such products,

particularly in China, and increasing market acceptance of those products in the medical community and among patients.

Revenue from sales of bare-metal stents remained relatively stable in 2008 and 2009.

Revenue from diabetes device business

Revenue generated from our diabetes device business increased significantly from RMB0.7 million in 2008 to RMB3.7 million in 2009. The increase was primarily due to an increase in the sales volume of our insulin pump, La Fenice, which we commenced offering following our acquisition of MP Lifesciences Beijing (previously named as Beijing Pangerui) in June 2008. We believe that the increase in sales volume of La Fenice primarily resulted from (i) our efforts to improve the quality and performance of the predecessor version of La Fenice which Beijing Pangerui had been offering prior to our acquisition, and (ii) our increased sales and marketing efforts in 2009, including numerous visits to the relevant purchasing personnel and doctors in hospitals in China to introduce La Fenice and to educate them about that product.

Cost of sales

Cost of sales decreased by 11.0% from RMB87.7 million in 2008 to RMB78.0 million in 2009. The decrease was primarily due to the fact that there were two expense items in 2008 which did not recur in 2009, namely: (i) a VAT expense of RMB13.6 million related to our sales discount policy in 2008, and (ii) a write off of inventories in the amount of RMB9.7 million for the film or fiber used on our TAA/AAA stent grafts in 2008. This decrease was partially offset by a RMB13.6 million increase in direct costs of production, mainly resulting from our increased production volume of drug-eluting stents during the period.

Gross profit

As a result of the foregoing factors, gross profit increased by 21.4% from RMB397.5 million in 2008 to RMB482.7 million in 2009, and gross profit margin increased from 81.9% in 2008 to 86.1% in 2009.

Other revenue

Other revenue increased by 9.5% from RMB20.6 million in 2008 to RMB22.5 million in 2009. The increase was primarily due to a RMB3.4 million increase in government grant income as a result of an increase in the number of our research and development projects in 2009 which met the requirements or conditions of the relevant government grants, partially offset by a RMB1.7 million decrease in interest income from bank deposits as a result of a decrease in interest rates.

Other net loss

Other net loss decreased by 42.2% from RMB3.2 million in 2008 to RMB1.9 million in 2009. The decrease was due to a RMB3.1 million decrease in net foreign exchange loss, which was offset by a RMB1.7 million increase in loss on disposal of fixed assets.

Research and development costs

Research and development costs increased by 45.4% from RMB59.4 million in 2008 to RMB86.4 million in 2009. The increase was primarily due to (i) a RMB15.3 million increase in salaries, bonuses and related expenses for personnel engaged in research and development resulting from an increase in the number of our research and development personnel and an increase in salaries, (ii) a RMB3.9 million increase in purchases of supplies and materials used in connection with our increased research and development efforts, in particular for

our third generation drug-eluting stent, Firehawk, and EP devices, (iii) a RMB2.8 million increase in costs associated with pre-launch clinical trials, primarily for our EP devices, and (iv) a RMB1.2 million increase in depreciation of property, plant and equipment used in connection with our research and development.

Sales and marketing costs

Sales and marketing costs increased by 48.2% from RMB66.2 million in 2008 to RMB98.2 million in 2009. The increase primarily resulted from sales and marketing activities in connection with the commercial launch of Firebird 2 in January 2009, and included (i) a RMB12.5 million increase in costs associated with attending conferences and seminars to promote our products, participating in exhibitions and trade shows of medical devices and sponsoring doctors' conferences conducted in connection with our increased marketing efforts, (ii) a RMB6.0 million increase in costs associated with the conduct of post-launch clinical trials resulting primarily from our conduct of Focus for Firebird 2, (iii) a RMB5.2 million increase in salaries, bonuses and related expenses for personnel engaged in sales and marketing resulting from an increase in the number of our sales and marketing personnel and an increase in salaries, and (iv) a RMB4.9 million increase in travel expenses of our sales and marketing personnel resulting from our increased marketing efforts.

Administrative expenses

Administrative expenses remained relatively stable in 2008 and 2009.

Other operating costs

Other operating costs decreased by 66.3% from RMB3.0 million in 2008 to RMB1.0 million in 2009. The decrease was primarily due to (i) a RMB2.3 million decrease in donations, and (ii) the fact that there were no fees associated with fund raising efforts in 2009, compared to fees of RMB1.7 million in 2008 associated with an earlier planned listing of our Shares in the United States, which was aborted. Other operating costs were also affected by the fact that we reversed impairments for trade receivables in the amount of RMB0.02 million in 2009, compared to a reversal of impairments for trade receivables of RMB2.5 million in 2008. Such reversals resulted from the collection of certain trade receivables in those years, for which provisions for doubtful debts were previously made.

Finance costs

Finance costs increased by 73.7% from RMB9.9 million in 2008 to RMB17.2 million in 2009. The increase was primarily due to a RMB8.2 million increase in change in fair value of preference shares, which was partially offset by a RMB0.7 million decrease in interest on borrowings wholly repayable within five years.

Income tax

Income tax increased by 28.3% from RMB49.4 million in 2008 to RMB63.4 million in 2009. The increase was primarily due to (i) an increase in the income tax rate of MP Shanghai from 9% in 2008 to 15% in 2009, (ii) an increase in our profit before taxation, and (iii) an increase in our deferred tax liabilities related to withholding tax on retained earnings of MP Shanghai in 2009. Our effective tax rate increased from 21.6% in 2008 to 25.4% in 2009.

Profit for the year

As a result of the foregoing factors, profit for the year increased by 4.2% from RMB178.8 million in 2008 to RMB186.4 million in 2009, however, net profit margin decreased from 36.9% in 2008 to 33.2% in 2009.

Year ended December 31, 2008 compared with year ended December 31, 2007

Revenue

Revenue increased by 15.2% from RMB421.3 million in 2007 to RMB485.2 million in 2008. The increase was primarily due to an increase in our revenue from drug-eluting stents. We did not generate any revenue from our orthopedic device business during 2007 and 2008.

Revenue from vascular device business

Revenue from sales of drug-eluting stents increased by 12.0% from RMB376.6 million in 2007 to RMB421.7 million in 2008. The increase was primarily due to an increase in the sales volume of Firebird. Sales of Firebird increased to 94,511 units in 2008 (which does not include 12,548 units of Firebird which we gave to certain distributors as part of our one free product for every five products purchased sales discount policy for distributors in 2008 as described in "— Description of certain income statement components — Cost of sales" above) from 81,517 units in 2007. We believe that the increase in sales volume of Firebird primarily resulted from (i) the overall growth of the market for drug-eluting stents in China, and (ii) the recognition of the quality and performance of Firebird in the medical community and among patients. We also had pre-marketing sales of Firebird 2 in 2008 totalling 3,704 units. The increase was partially offset by a 17.6% decrease in the average selling price of Firebird and Firebird 2 to our distributors in 2008 compared to the average selling price of Firebird in 2007 primarily as a result of the lower retail price of Firebird set in the tender conducted in 2008 and our sales discount policy described above.

Revenue from sales of TAA/AAA stent grafts increased by 26.8% from RMB18.2 million in 2007 to RMB23.1 million in 2008. The increase was primarily due to an increase in the sales volume of our TAA stent graft, Hercules T. We believe that the increase in sales volume of Hercules T primarily resulted from (i) the overall growth of the market for TAA/AAA stent grafts, and (ii) the recognition of the quality and performance of Hercules T in the medical community and among patients.

Revenue from sales of bare-metal stents increased by 21.2% from RMB15.0 million in 2007 to RMB18.2 million in 2008. The increase was primarily due to an increase in the sales volume of Mustang. We believe that the increase in sales volume of Mustang primarily resulted from (i) the overall growth of the market for bare-metal stents in our international markets, and (ii) an increase in the number of countries to which we exported Mustang.

Revenue from sales of other products increased by 88.3% from RMB11.4 million in 2007 to RMB21.5 million in 2008. The increase was primarily due to an increase in the sales volume of our PTCA balloon dilatation catheters, including Jive, Scipio and Catenaccio. We believe that the increase in sales volume of our PTCA balloon dilatation catheters primarily resulted from the recognition of the quality and performance of such products in international markets, in particular in the Asia Pacific region (excluding China).

Revenue from diabetes device business

We generated revenue of RMB0.7 million from our diabetes device business in 2008, which represented sales of the predecessor version of La Fenice following our acquisition of MP Lifesciences Beijing in June 2008. We did not generate any revenue from our diabetes device business in 2007.

Cost of sales

Cost of sales increased by 45.8% from RMB60.2 million in 2007 to RMB87.7 million in 2008. The increase was primarily due to (i) a VAT expense of RMB13.6 million related to our sales discount policy in

2008, and (ii) a write off of inventories in the amount of RMB9.7 million for the film or fiber used on our TAA/AAA stent grafts in 2008. Direct costs of production remained relatively stable in 2007 and 2008, as we implemented cost control measures in our production processes which offset the increased costs associated with our higher production volume in 2008.

Gross profit

As a result of the foregoing factors, gross profit increased by 10.1% from RMB361.1 million in 2007 to RMB397.5 million in 2008, however, gross profit margin decreased from 85.7% in 2007 to 81.9% in 2008.

Other revenue

Other revenue increased by 23.6% from RMB16.6 million in 2007 to RMB20.6 million in 2008. The increase was primarily due to a RMB3.4 million increase in interest income from bank deposits as a result of (i) an increase in interest rates, and (ii) an increase in the amount of bank deposits.

Other net loss

Other net loss increased by 52.3% from RMB2.1 million in 2007 to RMB3.2 million in 2008. The increase was primarily due to a RMB1.2 million increase in net foreign exchange loss.

Research and development costs

Research and development costs increased by 9.6% from RMB54.2 million in 2007 to RMB59.4 million in 2008. The increase was primarily due to (i) a RMB3.7 million increase in salaries, bonuses and related expenses for personnel engaged in research and development resulting from an increase in the number of our research and development personnel and an increase in salaries, and (ii) a RMB1.0 million increase in purchases of supplies and materials used in our research and development projects in connection with our increased research and development efforts, in particular for our third generation drug-eluting stent, Firehawk, and EP devices.

Sales and marketing costs

Sales and marketing costs decreased by 18.6% from RMB81.4 million in 2007 to RMB66.2 million in 2008. The decrease was primarily due to (i) a RMB10.8 million decrease in costs associated with attending conferences and seminars to promote our products, participating in exhibitions and trade shows of medical devices and sponsoring doctors' conferences and (ii) a RMB1.9 million decrease in costs associated with the conduct of post-launch clinical trials for our various products, which in both cases resulted from the implementation of a cost control policy in 2008. Our sales and marketing costs also decreased due to a RMB2.5 million decline in equity-settled share-based compensation expenses resulting from (i) the termination of employment of certain sales and marketing staff which caused a termination of their options prior to their full vesting and (ii) the fact that due to the vesting schedule of options granted under our 2006 Incentive Plan, a greater portion of such expenses are charged in the earlier years of the vesting schedule and, accordingly, higher expenses were recorded in 2007 compared to 2008 with respect to the options granted in 2007.

Administrative expenses

Administrative expenses decreased by 12.5% from RMB54.9 million in 2007 to RMB48.1 million in 2008. The decrease was primarily due to a RMB19.0 million decrease in equity-settled share-based compensation expenses resulting from (i) the termination of employment of certain senior executives which caused a termination of their options prior to their full vesting and (ii) the fact that due to the vesting schedule of options

granted under our 2006 Incentive Plan, a greater portion of such expenses are charged in the earlier years of the vesting schedule and, accordingly, higher expenses were recorded in 2007 compared to 2008 with respect to the options granted in 2007. The decrease was partially offset by (i) a RMB7.0 million increase in salaries, bonuses and related expenses for administrative personnel and management resulting from an increase in the number of our administrative personnel and management and an increase in salaries, (ii) a RMB3.3 million consulting fee in 2008 primarily in connection with our acquisition of MP Lifesciences Beijing in June 2008, and (iii) a RMB1.1 million increase in depreciation of property, plant and equipment used for administrative purposes.

Other operating costs

Other operating costs decreased by 88.9% from RMB27.3 million in 2007 to RMB3.0 million in 2008. The decrease was primarily due to a RMB24.4 million decrease in fees associated with our earlier planned listing of our Shares in the United States, which was aborted.

Finance costs

Finance costs decreased by 77.7% from RMB44.2 million in 2007 to RMB9.9 million in 2008. The decrease was primarily due to a RMB8.1 million decrease in dividends on preference shares and a RMB26.7 million fair value adjustment of preference shares.

Income tax

Income tax increased significantly from RMB11.4 million in 2007 to RMB49.4 million in 2008. The increase was primarily due to (i) an increase in the income tax rate of MP Shanghai from 7.5% in 2007 to 9% in 2008, (ii) an increase in our profit before taxation, and (iii) deferred tax liabilities incurred which were related to withholding tax on retained earnings of MP Shanghai in 2008. Our effective tax rate increased from 10.1% in 2007 to 21.6% in 2008.

Profit for the year

As a result of the foregoing factors, profit for the year increased by 74.9% from RMB102.2 million in 2007 to RMB178.8 million in 2008, and net profit margin increased from 24.3% in 2007 to 36.9% in 2008.

CERTAIN BALANCE SHEET ITEMS

Inventories

Our inventories consist of raw materials, work in progress and finished goods. Our inventories remained relatively stable in 2007 and 2008, and increased from RMB48.5 million in 2008 to RMB56.7 million in 2009. This increase was due to (i) an increase in finished goods of RMB6.8 million resulting from our increased inventory of Firebird 2 in 2009 following its commercial launch in January 2009 and the decrease in our inventory of Firebird during 2008 as we prepared for the transition from Firebird to Firebird 2 as our primary drug-eluting stent product, and (ii) an increase in work in progress of RMB4.3 million as a result of our increase in production to ensure sufficient inventory level, primarily for Firebird 2. This increase was offset by a decrease in raw materials of RMB2.8 million as a result of our increase in production to ensure sufficient inventory level, primarily for Firebird 2. Our inventories increased to RMB64.7 million as of March 31, 2010 primarily due to an increase in raw materials of RMB3.9 million and an increase in finished goods of RMB2.2 million, both resulting from our increased inventory in line with our increase in revenue, primarily for Firebird 2.

The following table sets forth the breakdown of our inventories as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	30,285	32,382	29,560	33,488
Work in progress	8,080	10,935	15,225	17,121
Finished goods	9,349	5,159	11,910	14,089
	47,714	48,476	56,695	64,698

Our provision for obsolete inventories increased from RMB1.6 million as of December 31, 2007 to RMB12.0 million as of December 31, 2008, primarily due to a RMB9.7 million provision for certain inventories of the film or fiber used in our TAA/AAA stent grafts as we replaced such inventories with improved film or fiber in 2008. Our provision for obsolete inventories remained relatively stable as of December 31, 2009 and March 31, 2010. The following table sets for the impairment of obsolete inventories as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1	—	1,552	12,008	11,806
Provision for the year/period	1,552	12,464	2,411	341
Written off for the year/period	—	(2,008)	(2,613)	—
As of December 31/March 31	1,552	12,008	11,806	12,147

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. Our average inventory turnover days decreased from 304 days in 2007 to 288 days in 2008, 254 days in 2009 and 244 days in the three months ended March 31, 2010, resulting primarily from our improved and more effective inventory management system.

The following table sets forth our average inventory turnover days 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
Average inventory turnover days[1]	304	288	254	244

Note:

(1) *Average inventory turnover days is equal to the average inventory divided by direct costs of production and multiplied by 365 days for 2007, 2008 and 2009 and 90 days for the three months ended March 31, 2010. We had direct costs of production of RMB57.4 million, RMB60.9 million, RMB75.4 million and RMB22.3 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively.*

As of July 31, 2010, RMB64.5 million of our inventories as of March 31, 2010 were sold or used in our production process.

Trade and other receivables

Our trade and other receivables consist of trade receivables, amounts due from related parties, deposits and prepayments, other receivables and allowance for doubtful debts. Our trade receivables represent the balances due from our distributors, to which certain terms of credit are offered, in the ordinary course of business. RMB11.7 million of the amounts due from related parties as of March 31, 2010 have been settled by July 31, 2010. 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. 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. See "Business — Sales, marketing and distribution network" in this prospectus.

Our trade and other receivables decreased from RMB137.5 million in 2007 to RMB114.6 million in 2008 primarily due to the collection of an amount of trade receivable in 2008, for which provision for doubtful debts was previously made. Our trade and other receivables increased from RMB114.6 million in 2008 to RMB143.8 million in 2009 in line with our increase in revenue. Our trade and other receivables increased to RMB196.5 million as of March 31, 2010 in line with our increase in revenue. The following table sets forth the breakdown of our trade and other receivables as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	136,231	106,588	121,672	173,275
Amounts due from related parties	2,204	6,758	14,701	12,298
	138,435	113,346	136,373	185,573
Less: Allowance for doubtful debts	(8,651)	(6,148)	(2,551)	(2,551)
	129,784	107,198	133,822	183,022
Deposits and prepayments	829	1,413	6,089	7,202
Other receivables	6,899	6,025	3,906	6,293
	137,512	114,636	143,817	196,517

Our allowance for doubtful debts mainly reflects provisions for receivables related to customers whose debts have been long outstanding with no subsequent settlement received or customers that were in financial difficulties and our management assessed that these receivables are not expected to be recovered. Our allowance for doubtful debts decreased from RMB8.7 million in 2007 to RMB6.1 million in 2008 primarily as a result of a RMB2.5 million reversal of impairments of trade receivables due to the collection of an amount of trade receivable in 2008, for which provision for doubtful debts was previously made. Our allowance for doubtful debts decreased from RMB6.1 million to RMB2.6 million in 2009 primarily as a result of a RMB3.6 million write-off of uncollectible amounts. Our allowance for doubtful debts remained RMB2.6 million as of March 31, 2010. Based on our experience, we believe that no further allowance for doubtful debts is necessary in respect of our remaining trade receivables. We do not hold any collateral over these balances. The following table sets forth the movement in the allowance for doubtful debts as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1	8,201	8,651	6,148	2,551
Impairment loss recognized/(reversed)	450	(2,503)	(17)	—
Uncollectible amounts written off	—	—	(3,580)	—
As of December 31/March 31	8,651	6,148	2,551	2,551

The following table sets forth the aging analysis of our trade receivables and amounts due from related parties, net of allowance for doubtful debts, as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Current	73,556	100,820	130,346	179,981
Less than one month past due	34,540	408	3,247	2,109
One to three months past due	19,840	—	28	85
More than three months past due	1,848	5,970	201	847
Amounts past due	56,228	6,378	3,476	3,041
	129,784	107,198	133,822	183,022

Our average trade receivable turnover days decreased from 100 days in 2007 to 91 days in 2008, primarily due to the collection of an amount of trade receivable in 2008, for which provision for doubtful debts was previously made. Our average trade receivable turnover days decreased from 91 days in 2008 to 74 days in 2009, primarily due to an increase in our sales to distributors whom we allow 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. Our average trade receivable turnover days were 75 days in the three months ended March 31, 2010. Improvements in the management of our credit terms and trade receivable collection also contributed to the decrease in our average trade receivable turnover days during the Track Record Period.

The following table sets forth our average trade receivable turnover days 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
Average trade receivable turnover days[1]	100	91	74	75

Note:

(1) Average trade receivable turnover days is equal to the average trade receivable from our external debtors divided by revenue and multiplied by 365 days for 2007, 2008 and 2009 and 90 days for the three months ended March 31, 2010.

As of July 31, 2010, RMB170.7 million of our trade receivables as of March 31, 2010 were settled.

Trade and other payables

Our trade and other payables consist of trade payables, receipts in advance, other payables and accruals and dividend payables. Trade payables mainly relate to the purchase of raw materials for our production, and other payables and accruals mainly relate to the purchase of equipment and services. All dividend payables have been fully settled with cash flow from operations. 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 price 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. In line with market practice, our principal suppliers usually provide us a credit term of 30 to 60 days, and we also make prepayments. See "Business — Raw materials and suppliers" in this prospectus.

Our trade and other payables decreased from RMB156.8 million in 2007 to RMB68.9 million in 2008. The decrease was primarily due to a decrease in dividend payables of RMB107.6 million. Our trade and other payables increased from RMB68.9 million in 2008 to RMB152.3 million in 2009. The increase was primarily due to an increase in dividend payables of RMB94.1 million. Our trade and other payables decreased to RMB55.0 million in the three months ended March 31, 2010. The decrease was primarily due to a decrease in dividend payables of RMB104.3 million.

The following table sets forth the breakdown of our trade and other payables as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	2,552	4,332	5,176	8,291
Receipts in advance	—	167	131	1,259
Other payables and accruals	36,204	54,022	42,412	45,204
Dividend payable to holders of ordinary shares	109,213	10,424	101,945	236
Dividend payable to holder of preference shares	8,845	—	2,596	—
	156,814	68,945	152,260	54,990

The following table sets forth the aging analysis of our trade payables as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Due within one month or on demand	2,248	4,045	4,991	7,233
Due after one month but within three months	102	50	44	823
Due after three months but within six months	202	237	141	235
	2,552	4,332	5,176	8,291

Our average trade payable turnover days increased from 11 days in 2007 to 21 days in 2008, 23 days in 2009 and 27 days in the three months ended March 31, 2010, resulting primarily from our increased purchases of raw materials to increase our stock levels.

The following table sets forth our average trade payable turnover days 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
Average trade payable turnover days[(1)]	11	21	23	27

Note:

(1) Average trade payable turnover days is equal to the average trade payable divided by direct costs of production and multiplied by 365 days for 2007, 2008 and 2009 and 90 days for the three months ended March 31, 2010. We had direct costs of production of RMB57.4 million, RMB60.9 million, RMB75.4 million and RMB22.3 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively.

As of July 31, 2010, RMB7.1 million of our trade payables as of March 31, 2010 were settled.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have financed our operations primarily through cash flow from operations, capital contributions by our Shareholders, loans and government grants. As of March 31, 2010, we had RMB102.0 million in cash and cash equivalents. Our cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in Renminbi-denominated accounts with banks in China.

The following table sets forth a summary of our cash flows for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2009 and 2010.

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	150,065	277,177	202,917	39,589	30,663
Net cash used in investing activities	(30,956)	(268,254)	(33,968)	(31,064)	(13,526)
Net cash used in financing activities	(112,935)	(251,463)	(145,222)	(19,284)	(5,298)
Net increase/(decrease) in cash and cash equivalents	6,174	(242,540)	23,726	(10,759)	11,839
Cash and cash equivalents at beginning of the year/period	303,699	309,852	66,461	66,461	90,194
Effect of foreign exchange rate changes	(21)	(851)	7	(24)	(50)
Cash and cash equivalents at end of the year/period	309,852	66,461	90,194	55,678	101,983

Operating activities

During the Track Record Period, we derived net cash inflow from operations primarily through the receipt of payments for the sales of our products. Our cash outflow from operations is used primarily for raw material purchases, staff costs and miscellaneous expenses used in operating activities. Our net cash generated from operating activities reflects our profit for the year, as adjusted for non-cash items such as depreciation and equity-settled share-based compensation expenses, and the effects of changes in working capital such as increase or decrease in trade and other receivables and trade and other payables.

Net cash generated from operating activities was RMB30.7 million in the three months ended March 31, 2010, which was primarily attributable to (i) profit before taxation of RMB94.7 million and (ii) an increase in trade and other payables of RMB11.2 million, partially offset by (i) an increase in trade and other receivables of RMB52.3 million, (ii) PRC income tax of RMB13.0 million, and (iii) PRC withholding tax of RMB11.9 million.

Net cash generated from operating activities was RMB202.9 million in 2009, which was primarily attributable to (i) profit before taxation of RMB250.0 million, (ii) depreciation of RMB19.7 million, and (iii) finance costs of RMB17.2 million, partially offset by (i) PRC income tax of RMB40.4 million, (ii) an increase in trade and other receivables of RMB29.8 million, and (iii) a decrease in trade and other payables of RMB12.3 million.

Net cash generated from operating activities was RMB277.2 million in 2008, which was primarily attributable to (i) profit before taxation of RMB228.3 million, (ii) a decrease in trade and other receivables of RMB29.5 million, (iii) an increase in trade and other payables of RMB18.0 million, and (iv) depreciation of RMB16.3 million, partially offset by (i) PRC income tax of RMB19.9 million, and (ii) interest income on bank deposits of RMB9.3 million.

Net cash generated from operating activities was RMB150.1 million in 2007, which was primarily attributable to (i) profit before taxation of RMB113.7 million, (ii) finance costs of RMB44.2 million, (iii) equity-settled share-based compensation expenses of RMB21.6 million, and (iv) depreciation of RMB13.4 million, partially offset by (i) an increase in trade and other receivables of RMB33.5 million, (ii) PRC income tax of RMB11.7 million, and (iii) interest income on bank deposits of RMB5.9 million.

Investing activities

Net cash used in investing activities was RMB13.5 million in the three months ended March 31, 2010, which was primarily attributable to (i) payment for the purchase of fixed assets of RMB30.2 million in

connection with our purchase of a building and machinery, and (ii) placement of deposits with banks with original maturities over three months of RMB15.0 million, partially offset by proceeds from deposits with banks with original maturities over three months of RMB31.0 million.

Net cash used in investing activities was RMB34.0 million in 2009, which was primarily attributable to (i) placement of deposits with banks with original maturities over three months of RMB241.0 million, (ii) payment for the purchase of fixed assets of RMB53.9 million in connection with our purchase of a parcel of land and machinery, and (iii) payment for acquisition of MP Lifesciences Beijing of RMB3.5 million, partially offset by (i) proceeds from deposits with banks original maturities over three months of RMB255.1 million, and (ii) interest received of RMB9.2 million.

Net cash used in investing activities was RMB268.3 million in 2008, which was primarily attributable to (i) placement of deposits with banks with original maturities over three months of RMB320.1 million, (ii) payment for the purchase of fixed assets of RMB64.2 million in connection with our purchase of two buildings, and (iii) payment for acquisition of MP Lifesciences Beijing of RMB4.5 million, partially offset by (i) proceeds from deposits with banks with original maturities over three months of RMB115.0 million, and (ii) interest received of RMB5.1 million.

Net cash used in investing activities was RMB31.0 million in 2007, which was primarily attributable to payments for the purchase of fixed assets of RMB36.7 million in connection with our purchase of machinery, partially offset by interest received of RMB5.9 million.

Financing activities

Net cash used in financing activities was RMB5.3 million in the three months ended March 31, 2010, which was primarily attributable to (i) dividends paid of RMB104.3 million and (ii) interest paid of RMB1.2 million, partially offset by proceeds from new loans of RMB100.0 million.

Net cash used in financing activities was RMB145.2 million in 2009, which was primarily attributable to (i) dividends paid of RMB127.2 million, and (ii) repayment of loans of RMB21.6 million, partially offset by proceeds from shares issued under the Pre-IPO Share Option Schemes of RMB4.0 million.

Net cash used in financing activities was RMB251.5 million in 2008, which was primarily attributable to (i) dividends paid of RMB250.0 million, and (ii) interest paid of RMB1.2 million, partially offset by proceeds from shares issued under the Pre-IPO Share Option Schemes of RMB0.4 million.

Net cash used in financing activities was RMB112.9 million in 2007, which was primarily attributable to (i) dividends paid of RMB121.9 million, and (ii) interest paid of RMB0.7 million, partially offset by proceeds from new loans of RMB9.0 million.

Working capital

Our working capital as of December 31, 2007, 2008 and 2009 and March 31, 2010 was RMB318.0 million, RMB335.4 million, RMB305.2 million and RMB369.1 million, respectively.

We believe that our current cash and cash equivalents, cash flow from operations and the proceeds from the Global Offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital, research and development expenditures and capital expenditures, for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell additional equity securities, debt

securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would result in additional dilution to our shareholders. The incurrence of indebtedness would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business, financial condition, results of operation and future prospects may be materially and adversely affected. See "Risk Factors — Risks related to our Company — We may require additional capital in the future, which may not be available on terms acceptable to us, or at all." in this prospectus.

Net current assets

The following table sets forth our current assets and liabilities as of the dates indicated. As of July 31, 2010, the date being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we had net current assets of RMB175.5 million.

	As of December 31,			As of March 31,	As of July 31,
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current Assets					
Inventories	47,714	48,476	56,695	64,698	72,603
Trade and other receivables	137,512	114,636	143,817	196,517	240,509
Income tax recoverable	—	358	—	—	—
Deposits with banks	2,940	207,569	193,595	177,595	32,601
Cash and cash equivalents	309,852	66,461	90,194	101,983	66,974
	498,018	437,500	484,301	540,793	412,687
Current Liabilities					
Trade and other payables	156,814	68,945	152,260	54,990	88,895
Short term loans	8,681	20,235	—	100,000	50,000
Long term loans (current portion)	12,070	434	448	452	458
Redeemable convertible preference shares	70,070	72,078	82,262	83,976	93,433
Income tax payable	1,662	11,523	26,299	16,130	4,246
Deferred income	839	920	142	138	132
	250,136	174,135	261,411	255,686	237,164
Net current assets	247,882	263,365	222,890	285,107	175,523

CAPITAL EXPENDITURE

We made capital expenditures of RMB36.7 million, RMB68.7 million, RMB58.3 million and RMB30.2 million in 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively, primarily in connection with our acquisition of land and buildings, and purchases of machinery and equipment for our manufacturing facilities. Our capital expenditure in the three months ended March 31, 2010 was mainly in connection with our purchase of a building and machinery. Our capital expenditure in 2009 was mainly in connection with our purchase of a parcel of land on which we are currently constructing a new office complex for our headquarters and principal manufacturing facilities. Our capital expenditure in 2008 was mainly in connection with our purchase of two buildings. Our capital expenditure in 2007 was mainly in connection with our purchase of plant and machinery and equipment. We also paid RMB4.5 million and RMB3.5 million in 2008 and 2009, respectively, in connection with our acquisition of MP Lifesciences Beijing to develop our diabetes business.

Our past capital expenditures were financed primarily through our cash flow from operations. We estimate that our capital expenditures for the year ending December 31, 2010 will be approximately RMB185.6 million. We expect such capital expenditures to consist primarily of land and building construction costs and purchases of machinery and equipment, and we expect to finance such capital expenditures primarily through a combination of our current cash and cash equivalents, cash flow from operations, the proceeds from the Global Offering and loans.

INDEBTEDNESS

As of March 31, 2010, our long-term indebtedness consisted of a 15-year term loan from the Shanghai Municipal Financial Administration ("SMFA") in the aggregate principal amount of RMB6.5 million bearing a variable interest rate that is determined annually based on the annual deposit interest rate quoted by PBOC on September 29 of each year plus 0.3%. MP Shanghai entered into this 15-year term loan agreement with SMFA in September 2003. Interest expense is paid annually. We incurred interest expense of RMB0.8 million, RMB1.4 million, RMB0.6 million and RMB0.04 million for the years ended December 31, 2007, 2008 and 2009 and the three months ended March 31, 2010, respectively. This loan is guaranteed by China Construction Bank, and is payable in 11 installments of RMB0.6 million each on September 30 of each year, commencing from 2008, with a four year concession period. The last installment is due on August 30, 2018. In addition, this loan is secured by our buildings and pledged deposits of RMB30.6 million as of March 31, 2010 with a bank in the PRC.

In June 2006, MP Shanghai entered into an entrusted loan agreement with Shanghai Venture Capital Co., Ltd. ("Shanghai Venture") and Shanghai Pudong Development Bank ("SPDB"), pursuant to which MP Shanghai received a RMB21.0 million entrusted loan facility from Shanghai Venture granted through SPDB. This loan was interest free and was repayable on June 30, 2008, which was later agreed to be deferred to March 31, 2009 (for the RMB9.0 million drawn) and June 30, 2009 (for the RMB12.0 million drawn). This loan was guaranteed by SPDB. Principal amounts of RMB12.0 million and RMB9.0 million were drawn down in June 2006 and September 2007, respectively. This loan was repaid in full on March 31, 2009 (for the RMB9.0 million drawn) and June 30, 2009 (for the RMB12.0 million drawn).

We also had short-term indebtedness in the form of bank loans of RMB100.0 million as of March 31, 2010.

The following table sets forth the repayment schedule of the foregoing loans as of December 31, 2007, 2008 and 2009 and March 31, 2010.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year				
— Short-term loans	8,681	20,235	—	100,000
— Long-term loans (current portion)	12,070	434	448	452
	20,751	20,669	448	100,452
After one year but within two years	434	448	462	465
After two years but within five years	1,386	1,429	1,473	1,484
After five years	3,193	2,702	2,196	2,213
	5,013	4,579	4,131	4,162
	25,764	25,248	4,579	104,614

As of July 31, 2010, the date being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we had indebtedness of RMB55.3 million, consisting of our 15-year term loan from

SMFA of RMB5.3 million and our short-term loan of RMB50.0 million. Our Directors confirm that there has been no material change in our Group's indebtedness since July 31, 2010.

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The following table sets forth our capital commitments contracted for, and authorized but not contracted for, but not provided in the financial statements as of December 31, 2007, 2008 and 2009 and March 31, 2010. Capital commitments were incurred primarily in connection with the acquisition and construction of land and building and purchases of machinery and equipment.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	7,798	6,821	24,271	24,994
Authorized but not contracted for	—	—	182,628	167,944
	7,798	6,821	206,899	192,938

The following table sets forth our non-cancellable operating lease commitments as of December 31, 2007, 2008 and 2009 and March 31, 2010. Our operating lease commitments relate primarily to our leases of office spaces and workspaces.

	As of December 31,			As of March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,774	1,134	1,005	989
After one year but within five years	1,101	108	996	742
	2,875	1,242	2,001	1,731

As of July 31, 2010, we had contractual obligations of RMB12.0 million mainly in connection with our construction of a new office complex for our headquarters and principal manufacturing facilities. As of July 31, 2010, we did not have any material contingent liabilities. Our Directors confirm that there has been no material change in our Group's contingent liabilities since July 31, 2010.

Except as disclosed in this prospectus, as of the Latest Practicable Date, we did not have any outstanding loan capital, bank overdraft, liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any special purpose entities that provide financing, liquidity, market risk or credit support to us or engage in leasing, hedging or research and development services with us. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own Shares and classified as shareholders' equity, or that are not reflected in our financial statements. Moreover, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

BUSINESS COMBINATION

In June 2008, we completed our acquisition of MP Lifesciences Beijing (previously named as Beijing Pangerui), a company established under the laws of the PRC, and MP Lifesciences Beijing became our indirectly wholly owned subsidiary. We agreed to pay the selling shareholders of MP Lifesciences Beijing a cash consideration of RMB8.0 million and an estimated contingent consideration amount of RMB2.5 million. See "Accountants' Report — Note 29" in Appendix I to this prospectus.

PREFERENCE SHARES

As part of our reorganization, in August 2006 we issued 1,229,817 preference shares to Otsuka Pharmaceutical. The preference shares were granted, among others, the following rights, all of which will be terminated upon the consummation of the Global Offering.

Dividend right

When dividends are declared and payable to the ordinary shareholders of our Company, Otsuka Pharmaceutical is entitled to receive prioritized non-cumulative preferential cash dividends, pursuant to the following: (i) when the dividends declared and payable by our Company for a year are equal to or less than US$994,800, Otsuka Pharmaceutical is entitled to dividends equal to 50% of such distribution; and (ii) when the dividends declared and payable by our Company for a year are greater than US$994,800, Otsuka Pharmaceutical is entitled to dividends of (x) US$497,400, plus (y) pro-rata dividends based on the number of ordinary shares into which the preference shares are convertible (immediately prior to such distribution) for the remaining dividends in excess of US$994,800.

Redemption right

Otsuka Pharmaceutical is entitled, at its option, to require our Company to redeem all its preference shares at a mutually agreed redemption price, by giving prior written notice to our Company.

As Otsuka Pharmaceutical is entitled to either (i) redeem the preference shares as discussed above or (ii) convert the preference shares into 2% of the share capital of our Company on a fully-diluted basis as discussed below, the redemption value of the preference shares was estimated to be 2% of our Group's estimated business enterprise value. A financial liability was recognized when the preference shares were issued. The preference shares are remeasured at each balance sheet date and changes in fair value are charged to profit or loss. The estimated fair value of the preference shares as of December 31, 2007, 2008 and 2009 and March 31, 2010 was RMB70.1 million, RMB72.1 million, RMB82.3 million and RMB84.0 million, respectively.

Conversion right

Otsuka Pharmaceutical is entitled, at its option, to require our Company to convert all its preference shares into ordinary shares of our Company, by giving prior written notice to our Company. Such conversion, if made, shall be conducted in a manner so that after such conversion, the number of converted ordinary shares held by Otsuka Pharmaceutical will constitute 2% of the share capital of our Company on a fully-diluted basis.

In addition, all of our preference shares will automatically convert into ordinary shares on a one-to-one basis upon the consummation of the Global Offering. When the preference shares are converted into ordinary shares of our Company, the carrying amount of the preference shares at the conversion date will be reclassified to equity.

Liquidation preference

On a distribution of assets of our Company on a winding up or other return of capital (other than on a redemption or repurchase of shares), Otsuka Pharmaceutical is first entitled to an amount up to the aggregate purchase consideration paid for its preference shares and all arrears (if any) of the preference dividends and interest at the rate of 0.05% per day thereon, and then to participate in the distribution of any surplus of assets of our Company pro-rata with the holders of the ordinary shares based on the number of ordinary shares into which the preference shares are convertible (immediately prior to such distribution).

See "Company History and Reorganization — Rights of holder of our preference shares" in this prospectus and "Accountants' Report — Note 25" in Appendix I to this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credit risk

Our credit risk is primarily attributable to trade and other receivables, cash at banks and deposits with banks. Our management has a credit policy in place, and our exposure to credit risk is monitored on an ongoing basis. See "Business — Sales, marketing and distribution network" in this prospectus for our credit policy with respect to trade and other receivables. We only place deposits with banks and financial institutions which we believe are of a high credit rating. We have concentration of credit risk to a certain extent as 34%, 26%, 22% and 27% of our trade and other receivables as of December 31, 2007, 2008 and 2009 and March 31, 2010, respectively, was due from our largest distributor, and 77%, 62%, 49% and 63% of our trade and other receivables as of December, 2007, 2008 and 2009 and March 31, 2010, respectively, was due from our five largest distributors.

Liquidity risk

Our policy is to regularly monitor our liquidity requirements to ensure that we maintain sufficient reserve of cash and adequate committed lines of funding from major banks and financial institutions to meet our liquidity requirements in the short and long term. As of March 31, 2010, our financial liabilities, consisting of bank loans, trade and other payables and preference shares, had a carrying amount of RMB159.6 million, of which RMB155.7 million is due within one year or on demand. These amounts include the fair value of the preference shares, which is subject to mutual agreement and is not a stated contractual amount due on demand. Beside the preference shares which are stated at fair value, all other amounts are based on the contractual undiscounted cash flows. We are exposed to liquidity risk to the extent we have insufficient cash or other sources of funding to satisfy these or other liabilities we may incur from time to time.

Interest rate risk

Our interest rate risk arises primarily from cash at bank, deposits with banks, short term and long term borrowings issued at variable or fixed rates that expose us to cash flow interest rate risk and fair value interest rate risk. Our management monitors our interest rate profile. We have not historically used, and do not expect to use in the future, any derivative financial instruments to manage our interest risk exposure.

As of December 31, 2007, 2008 and 2009 and March 31, 2010, it is estimated that a general increase/ decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/ increased our profit for the year/period and retained earnings by approximately RMB2.8 million, RMB0.6 million, RMB0.7 million and RMB0.2 million, respectively.

Currency risk

Most of our assets and liabilities are denominated in RMB, and we conduct our business transactions principally in RMB. However, we are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency. The currencies giving rise to this risk are primarily Euros and U.S. dollars. We do not believe that we currently have any significant direct foreign currency exchange rate risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments.

Inflation/Deflation

According to the China Statistic Bureau, China's overall national inflation/deflation rate, as represented by changes in the general consumer price index, was approximately 4.8%, 5.9% and (0.7)% for the years ended December 31, 2007, 2008 and 2009, respectively. Although there can be no assurance as to the impact in future periods, inflation/deflation has not had a material effect on our business during the Track Record Period.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as set out in "Accountants' Report — Note 28" in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms that are not less favorable than terms available from independent third parties which are considered fair and reasonable and in the interest of our Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma statement of our adjusted net tangible assets as of March 31, 2010 is as follows.

	Consolidated net tangible assets of our Group as of March 31, 2010[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share[3]
	RMB'000	RMB'000	RMB'000	RMB	(Equivalent to HK$)
Based on the offer price of HK$4.60 per Share	456,966	931,679	1,388,645	0.99	1.13
Based on the offer price of HK$6.10 per Share	456,966	1,248,890	1,705,856	1.21	1.39

Notes:

(1) The consolidated net tangible assets of our Group as of March 31, 2010 is compiled based on the consolidated financial information included in the Accountants' Report as set out in Appendix I to this prospectus, which is based on the consolidated net assets of RMB468.9 million less goodwill and intangible assets of RMB11.9 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$4.60 or HK$6.10, being the low or high end of the stated offer price range, per Offer Share after deduction of the underwriting fees and other related expenses payable by our Group and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 1,404,112,340 Shares are in issue following the Global Offering (including the effect of the conditional 10-for-1 share split and the automatic conversion of preference shares) but takes no account of any Shares which may be issued upon the exercise of the options under the Pre-IPO Share Option Schemes and Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.8744 to HK$1.00, the prevailing rate quoted by PBOC on September 3, 2010. You should not construe such conversion as a representation that the RMB amounts could actually be converted into HK dollar amounts as the rate indicated, or at all.

(4) The calculation of the unadjusted pro forma net tangible assets does not take into account the dividend amounting to RMB176.1 million which was approved by our Board and paid in July 2010.

PROFIT ESTIMATE

Our Directors estimate that, in the absence of unforeseen circumstances and on the bases set out in "Profit Estimate" in Appendix III to this prospectus, our Group's profit after taxation for the six months ended June 30, 2010 is unlikely to be less than RMB140 million. The profit estimate for the six months ended June 30, 2010 is the best estimate of our Directors and prepared by us based on our consolidated financial statements for the three months ended March 31, 2010, included in the Accountants' Report as set out in Appendix I to this prospectus, and our unaudited consolidated management accounts for the three months ended June 30, 2010. We have undertaken to the Hong Kong Stock Exchange that our interim financial report for the six months ended June 30, 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

On a pro forma basis and on the assumption that our Group had been listed since January 1, 2010 and a total of 1,404,112,340 Shares were issued and outstanding during the entire six months ended June 30, 2010 (taking no account of any Shares which may be issued upon exercise of the Pre-IPO Share Option Schemes and the Over-allotment Option), the estimated earnings per Share for the six months ended June 30, 2010 is unlikely to be less than RMB0.10.

DIVIDEND POLICY

During the Track Record Period, our Board has declared and distributed dividends from time to time. We declared dividends to holders of our Shares in the amount of RMB226.1 million, RMB136.6 million and RMB215.7 million in 2007, 2008 and 2009, respectively, all of which have been fully settled. For the same periods, we also declared dividends of RMB13.8 million, RMB5.8 million and RMB5.7 million to Otsuka Pharmaceutical as holder of our preference shares which were recorded as finance costs, all of which have been fully settled. No interim dividends were declared during the three months ended March 31, 2010. In July 2010, our Board declared dividends of RMB171.2 million and RMB4.9 million to holders of our Shares and Otsuka Pharmaceutical as holder of our preference shares, respectively, all of which have been fully settled. For the avoidance of doubt, holders of Offer Shares will not be entitled to any of these dividends.

Our historical dividend distributions are not indicative of our future dividend policy. Our Board may declare dividends in the future after taking into account our operation, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as appear to our Board to be justified by our profits, or special dividends of such amounts and on such dates as they think fit. No dividends shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declaration of dividends may or may not reflect our historical declaration of dividends and will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to PRC GAAP, which differ in certain aspects from HKFRS. PRC laws also require a wholly owned foreign enterprise, such as our PRC operating subsidiaries, to transfer at least 10% of its net profit (after offsetting the prior year's losses) to a statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to its reserve must be made before distribution of dividends to its equity holders. Distribution from our PRC operating subsidiaries may also be restricted if they incur losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our PRC operating subsidiaries may enter into in the future. The statutory reserve of MP Shanghai has already reached 50% of its registered capital.

DISTRIBUTABLE RESERVES

As of March 31, 2010, we had reserves of RMB411.2 million available for distribution to our Shareholders of our Company.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there had been no circumstances that would give rise to the disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since March 31, 2010.