Mindray Medical International LTD
Form 424B4
September 27, 2006

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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-137140

Mindray Medical International Limited
20,000,000 American Depositary Shares
Representing
20,000,000 Class A Ordinary Shares

Mindray Medical International Limited, or Mindray, is offering 10,643,000 American depositary shares, or ADSs, and the selling shareholders identified in this prospectus are offering an additional 9,357,000 ADSs. Each ADS represents one Class A ordinary share, par value HK$0.001 per share, of Mindray. The ADSs are evidenced by American depositary receipts, or ADRs. We will not receive any proceeds from the ADSs sold by the selling shareholders.

Prior to this offering, there has been no public market for our ADSs or our Class A ordinary shares. We have received approval to list our ADSs on the New York Stock Exchange under the symbol MR.

See Risk Factors beginning on page 9 to read about risks you should consider before buying our ADSs.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per ADS		**Total**	
Public offering price	US$	13.50	US$	270,000,000
Underwriting discount	US$	0.945	US$	18,900,000
Proceeds, before expenses, to Mindray	US$	12.555	US$	133,622,865
Proceeds, before expenses, to the selling shareholders	US$	12.555	US$	117,477,135

To the extent that the underwriters sell more than 20,000,000 ADSs, the underwriters have an option to purchase up to an additional 2,000,000 ADSs from us and up to an additional 1,000,000 ADS from the selling shareholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the ADSs evidenced by the ADRs against payment in US dollars in New York, New York on September 29, 2006.

Goldman Sachs (Asia) L.L.C. **UBS Investment Bank**

JPMorgan

CIBC World Markets **First Shanghai Securities Limited** **Piper Jaffray**

Prospectus dated September 25, 2006.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements included elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our American depositary shares, or ADSs, discussed under Risk Factors, before deciding whether to buy our ADSs.

Our Business

We are a leading developer, manufacturer and marketer of medical devices in China. We also have a significant and growing presence outside of China, primarily in other regions of Asia and in Europe. We offer a broad range of more than 40 products across our three primary business segments: patient monitoring devices, diagnostic laboratory instruments and ultrasound imaging systems. According to Frost & Sullivan, we had the leading market share in China by units sold, and the second leading market share by revenue, for the sale of patient monitoring devices in 2003, and we believe that we continue to be a market leader in China today. In addition, we believe we hold a leading market share position in China in diagnostic laboratory instruments and grayscale ultrasound imaging systems. Due to our leading market position, we believe we have one of the most recognized brands in the medical device industry in China.

We sell our products primarily to distributors, and the balance directly to hospitals, clinics, government agencies, original design manufacturers, or ODMs, and original equipment manufacturers, or OEMs. With over 1,950 distributors and 500 direct sales and sales support personnel, we believe our nationwide distribution, sales and service network is the largest of any medical device manufacturer in China. This extensive platform allows us to be closer than our competitors to end-users and enables us to be more responsive to local market demand. In addition, we sell our products internationally through more than 660 distributors and 75 sales and sales support personnel. This established and expanding international sales and distribution network provides us with a platform from which to build and expand our market position globally. To date, we have sold our products to approximately 25,000 hospitals, clinics and other healthcare facilities in China and sold over 170,000 devices worldwide.

We employ a vertically integrated operating model that enables us to efficiently develop, manufacture and market quality products at competitive prices. Our research and development team and our manufacturing department work closely together to optimize manufacturing processes and develop commercially viable products. In addition, they incorporate regular feedback from our sales and marketing personnel, enabling us to timely and cost-effectively introduce products tailored to end-user needs. Furthermore, our China-based research and development and manufacturing operations provide us with a distinct competitive advantage in international markets by enabling us to leverage low-cost technical expertise, labor, raw materials and facilities.

To enhance our leading market position, we have made and will continue to make significant investments in research and development. We increased our annual investment in research and development activities from 8.6% of net revenues in 2003 to 9.8% of net revenues in 2005 and to 9.9% in the six months ended June 30, 2006, establishing what we believe is the largest research and development team of any medical device manufacturer in China, with more than 570 engineers on our staff. We believe our current spending level, as a percentage of net revenues, is comparable to many of our international competitors and greater than most of our domestic competitors. We continually seek to broaden our market reach by introducing new and more advanced products and new product lines that address different end-user segments. Since 2003, we have introduced more than 25 new products.

Our net revenues increased from RMB460.3 million in 2003 to RMB1,078.6 million (US$134.9 million) in 2005, representing a compound annual growth rate of 53.1%. Our net revenues grew from RMB436.8 million in the six months ended June 30, 2005 to RMB676.8 million (US$84.7 million) for the same period in 2006, a 54.9% increase. In the six months ended June 30, 2006, our three primary business segments, patient monitoring devices, diagnostic laboratory instruments and ultrasound imaging systems, accounted for 40.5%, 28.4% and 29.9% of our net segment revenues, respectively. Over the past three years, we have significantly expanded our geographic scope and increased the percentage of our revenues generated

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by international sales. Our products are currently sold in more than 120 countries, and international sales grew from 24.7% of our total net revenues in 2003, to 41.9% of our total net revenues in 2005 and to 43.7% of our total net revenue in the six months ended June 30, 2006.

Our Industry

According to Frost & Sullivan, China s market for medical devices had an estimated value of US$7.5 billion in 2004, representing approximately 5% of the US$148 billion global medical device market. China s medical device market, as well as the medical device markets in several developing countries, is projected to grow faster than the global medical device market. According to Frost & Sullivan, China s medical device market is projected to grow from US$7.5 billion in 2004 to US$10.1 billion in 2006. Reasons for this faster growth in China include:

- fast growing economy;
- increasing percentage of gross domestic product, or GDP, expected to be spent on healthcare;
- increasing desire for and utilization of more advanced technologies in Chinese hospitals and clinics;
- increasing availability of healthcare insurance;
- higher degree of operating autonomy at hospitals and clinics; and
- growing desire for better quality of care.

Hospitals and clinics in China purchase almost all of their medical devices and supplies through distributors. These distributors tend to operate in small territories in China, and many focus only on eastern coastal cities. As a result, medical device manufacturers need to develop relationships with several distributors in different regions to be able to reach a broad end-user base. We believe the ability to leverage local contacts and knowledge is vital in establishing an effective distribution network, constituting a significant barrier to entry for both smaller local companies and larger, international competitors that lack a meaningful local presence in China.

Our Products

We believe that we are well positioned to benefit from the growing medical device market in China, as well as from the growing markets in other developing countries. Historically, the primary end-users of a majority of our products have been small- and medium-sized hospitals in China, although a significant portion of our patient monitoring devices have also been sold to large-sized hospitals in China. As these small- and medium-sized hospitals look to offer a higher level of care, we believe our products, which are typically of higher quality than those of most domestic manufacturers, and of comparable quality but lower cost than those of many of our international competitors, will be attractive alternatives.

Our leading product in 2005 was our portable PM-9000 multi-parameter patient monitoring device. We offer more than 15 patient monitoring devices, including four which have received 510(K) clearance from the United States Food and Drug Administration, or FDA. In our diagnostic laboratory instruments business segment, we offer a range of more than ten hematology and biochemistry analyzers that perform analysis on blood, urine and other bodily fluid samples for clinical diagnosis and treatment. We generate a recurring revenue stream by offering single-use reagents, which are substances used to create chemical reactions that are analyzed by our instruments. In our ultrasound imaging systems business segment, we offer more than ten ultrasound imaging systems, including our recently introduced color Doppler ultrasound imaging system, for use in several clinical areas, such as urology, gynecology, obstetrics and cardiology.

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Our Strengths, Strategies and Risks

We believe we have the following principal competitive strengths:

- strong brand and leading market position in China s medical device market;
- extensive distribution, sales and service network for medical devices in China;
- established and expanding international distribution and sales network;
- proven research and development capabilities; and
- efficient vertically integrated operating model.

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

- increasing our market share in China s medical device market;
- enhancing our market position and brand recognition in existing and new international markets;
- broadening our market reach by introducing more advanced products and new product lines; and
- maintaining our disciplined cost focus.

We expect to face risks and uncertainties related to our ability to:

- develop and commercialize new products;
- establish and maintain our relationships with our distributors;
- attract and retain key management and research and development personnel;
- build our brand and expand our sales in international markets; and
- protect our intellectual property rights.

See Risk Factors for a detailed discussion of these and other risks that we face.

Our Offices

Our principal executive offices are located at Mindray Building, Keji 12th Road South, Hi-tech Industrial Park, Nanshan, Shenzhen, 518057, People s Republic of China, and our telephone number is (86-755) 2658-2888. Our website address is http://www.mindray.com. The information on our website does not form a part of this prospectus.

Recent PRC Regulatory Developments

On September 8, 2006, a new PRC regulation jointly promulgated by six PRC regulatory agencies became effective. You should refer to the risk factor beginning on page 11 and the discussion on regulation of overseas listings beginning on page 91 for more information regarding this new PRC regulation.

Conventions That Apply to This Prospectus

Unless we indicate otherwise, all information in this prospectus assumes no exercise by the underwriters of their option to purchase up to 3,000,000 additional ADSs representing 3,000,000 Class A ordinary shares.

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Except where the context otherwise requires and for purposes of this prospectus only:

we, us, our company, our, Mindray International and Mindray refer to Mindray Medical International Li and its consolidated subsidiaries, including Shenzhen Mindray Bio-Medical Electronics Co., Ltd., or Shenzhen Mindray, and Shenzhen Mindray s predecessor entities;

China or PRC refers to the People s Republic of China, excluding, for purposes of this prospectus only, Taiwan and the Special Administrative Regions of Hong Kong and Macau;

all references to Renminbi or RMB are to the legal currency of China, all references to US dollars, dollars, $ US$ are to the legal currency of the United States, and all references to HK$ are to the legal currency of the Hong Kong Special Administrative Region of China;

ordinary shares refers to our Class A and Class B ordinary shares, par value HK$0.001 per share;

ADSs refers to our American depositary shares, each of which represents one Class A ordinary share;

ADRs refers to American depositary receipts, which, if issued, evidence our ADSs;

PRC GAAP refers to accounting principles and the relevant financial regulations applicable to PRC enterprises; and

US GAAP refers to generally accepted accounting principles in the United States.

Unless specifically indicated otherwise or unless the context otherwise requires, all references to our ordinary shares have been adjusted to give effect to the automatic conversion of all outstanding convertible redeemable preferred shares to Class A ordinary shares upon the completion of this offering.

This prospectus also gives effect to the re-classification of all of our ordinary shares into Class A (one vote per share) and Class B ordinary shares (five votes per share). All 46,437,910 Class B ordinary shares will be held by Messrs Xu, Li and Cheng each of whom is a Mindray executive officer.

This prospectus contains translations of Renminbi amounts into US dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to US dollars as of and for the year ended December 31, 2005 and six months ended June 30, 2006 were made at the noon buying rate in The City of New York for cable transfers in Renminbi per US dollar as certified for customs purposes by the Federal Reserve Bank of New York, or the noon buying rate, as of June 30, 2006, which was RMB7.9943 to US$1.00. We make no representation that the Renminbi or US dollar amounts referred to in this prospectus could have been or could be converted into US dollars or Renminbi, as the case may be, at any particular rate or at all. On September 25, 2006, the noon buying rate was RMB7.9212 to US$1.00.

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THE OFFERING

The following assumes that the underwriters will not exercise their option to purchase additional ADSs in the offering, unless otherwise indicated.

ADSs offered by Mindray	10,643,000 ADSs
ADSs offered by the selling shareholders	9,357,000 ADSs
Price per ADS	US$13.50 per ADS
ADSs outstanding immediately after this offering	20,000,000 ADSs
Class A ordinary shares outstanding immediately after this offering	57,289,767 shares, excluding 9,818,300 Class A ordinary shares issuable upon the exercise of outstanding options and 15,000,000 Class A ordinary shares reserved for issuance under our employee share incentive plan.
Class B ordinary shares outstanding immediately after this offering	46,437,910 shares
The ADSs	Each ADS represents one Class A ordinary share, par value HK$0.001 per share. The ADSs will be evidenced by a global ADR. The depositary will be the holder of the Class A ordinary shares underlying your ADSs and you will have rights as provided in the deposit agreement. If we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our Class A ordinary shares, after deducting its fees and expenses. You may turn in your ADSs to the depositary in exchange for Class A ordinary shares underlying your ADSs. The depositary will charge you fees for exchanges. We may amend or terminate the deposit agreement without your consent, and if you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended. You should carefully read the section in this prospectus entitled Description of American Depositary Shares to better understand the terms of the ADSs. You should also read the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.
New York Stock Exchange trading symbol	MR . We have received approval to list our ADSs on the New York Stock Exchange.
Ordinary Shares	Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share shall be entitled to one vote on all matters subject to shareholder vote, and each Class B

ordinary share shall be entitled to five votes on all matters subject to shareholder vote.

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	Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Class B ordinary shares shall be automatically and immediately converted into an equal number of Class A ordinary shares upon any transfer to any person or entity which is not an affiliate of the transferor. In addition, if the number of Class B ordinary shares issued and outstanding is less than 20% of the total number of our issued and outstanding ordinary shares, each issued and outstanding Class B ordinary share shall automatically convert into one Class A ordinary share, and we will not issue any Class B ordinary shares thereafter.
Depositary	The Bank of New York
Option to purchase additional ADSs	We and the selling shareholders have granted to the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an additional 3,000,000 ADSs.
Timing and settlement for ADSs	The ADSs are expected to be delivered against payment on September 29, 2006. The global ADR evidencing the ADSs will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, or DTC, in New York, New York. In general, beneficial interests in the ADSs will be shown on, and transfers of these beneficial interests will be effected only through, records maintained by DTC and its direct and indirect participants.
Use of proceeds	We expect net proceeds from this offering of approximately US$129 million. We anticipate using approximately US$75 million for construction of a new headquarters building and expansion of our manufacturing, assembly and warehouse facilities, including the potential relocation into a new facility in Shenzhen, China and the balance to fund working capital and for other general corporate purposes. See Use of Proceeds. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of risks you should carefully consider before deciding to invest in our ADSs.
Lock-up	We have agreed for a period of 180 days after the date of this prospectus not to sell, transfer or otherwise dispose of any of our ordinary shares or ADSs representing our Class A ordinary shares. Furthermore, each of our directors and executive officers and substantially all of our shareholders, including each of the selling shareholders, have agreed to a similar 180 day lock-up. See Underwriting.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information for the periods and as of the dates indicated should be read in conjunction with our financial statements and the accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, both of which are located elsewhere in this prospectus.

The summary consolidated financial data presented below for the three years ended December 31, 2003, 2004 and 2005 are derived from our audited consolidated financial statements included elsewhere in this prospectus. Our audited consolidated financial statements are prepared in accordance with US GAAP, and have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm. The report of Deloitte Touche Tohmatsu CPA Ltd. on those consolidated financial statements is included elsewhere in this prospectus.

The summary consolidated financial data as of June 30, 2006 and for the six months ended June 30, 2005 and 2006 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the full year. In our opinion, all adjustments necessary for a fair presentation of the financial data for the six months ended June 30, 2006 are contained in the financial statements that are included elsewhere in this prospectus.

Our historical results for any prior period are not necessarily indicative of results to be expected for any future period.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2003	2004	2005	2005	2005	2006	2006
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands, except share and per share data)						
Statement of Operations Data:							
Net revenues	460,254	697,837	1,078,573	134,918	436,776	676,764	84,656
Cost of revenues[1]	(210,565)	(319,013)	(493,326)	(61,710)	(194,892)	(307,330)	(38,444)
Gross profit	249,689	378,824	585,247	73,208	241,884	369,434	46,212
Operating expenses:							
Selling expenses[1]	(61,322)	(92,177)	(146,499)	(18,325)	(69,427)	(99,975)	(12,506)
General and administrative expenses[1]	(35,808)	(32,340)	(112,082)	(14,020)	(37,750)	(24,865)	(3,110)
Research and development expenses[1]	(39,781)	(61,604)	(106,147)	(13,278)	(48,146)	(66,678)	(8,341)
Operating income	112,778	192,703	220,519	27,585	86,561	177,916	22,255
Other income, net	1,918	39	9,210	1,152	707	239	30
Interest income	531	3,087	3,854	482	611	6,543	819
Interest expense	(2,815)	(3,324)	(2,019)	(253)	(1,201)	(279)	(35)

Income before income taxes and minority interests	112,412	192,505	231,564	28,966	86,678	184,419	23,069
Provision for income taxes	(7,624)	(10,758)	(18,066)	(2,260)	(6,449)	(13,191)	(1,650)
Minority interests			(8,409)	(1,052)		(6,455)	(808)
Net income	104,788	181,747	205,089	25,654	80,229	164,773	20,611
Deemed dividend on issuance of convertible redeemable preferred shares at a discount			(14,031)	(1,755)			
Income attributable to ordinary shareholders	104,788	181,747	205,089	23,899	80,229	164,773	20,611
Basic earnings per share	RMB1.22	RMB2.11	RMB2.31	US$0.29	RMB0.93	RMB2.10	US$0.26
Diluted earnings per share	RMB1.22	RMB2.11	RMB2.31	US$0.29	RMB0.93	RMB1.86	US$0.23
Shares used in computation of:							
Basic earnings per share	86,000,000	86,000,000	82,790,427	82,790,427	86,000,000	78,490,233	78,490,233
Diluted earning per share	86,000,000	86,000,000	82,790,427	82,790,427	86,000,000	88,467,984	88,467,984

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	As of June 30, 2006					
	Actual	Actual	Pro Forma[2]	Pro Forma[2]	As Adjusted[3]	As Adjusted[3]
	RMB	US$	RMB	US$	RMB	US$
	(In thousands)					
Balance Sheet Data:						
Cash and cash equivalents	212,875	26,628	212,875	26,628	1,246,673	155,945
Working capital[4]	204,554	25,587	204,554	25,587	1,238,352	154,904
Total assets	1,021,911	127,830	1,021,911	127,830	2,055,709	257,147
Total liabilities	262,795	32,873	262,795	32,873	262,795	32,873
Minority interests	10	1	10	1	10	1
Mezzanine equity	289,867	36,259				
Total shareholders equity	469,239	58,697	759,116	94,957	1,792,913	224,275

(1) Share-based compensation charges incurred during the period related to:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2003	2004	2005	2005	2005	2006	2006
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands, except share and per share data)						
Cost of revenues			268	34	268	236	30
Selling expenses			8,576	1,073	8,576	3,337	417
General and administrative expenses			59,014	7,382	14,420	4,483	561
Research and development expenses			3,071	384	3,071	2,130	266

(2) Reflects the automatic conversion of all 8,975,105 of our outstanding convertible redeemable preferred shares into 8,975,105 Class A ordinary shares upon completion of this offering.

(3) Reflects the conversion of all of our outstanding convertible redeemable preferred shares and the issuance and sale of 10,643,000 ADSs we are offering at an initial public offering price of US$13.50 per ADS, after deducting underwriting discounts, commissions, and estimated offering expenses payable by us.

(4) Working capital is equal to current assets less current liabilities.

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RISK FACTORS

You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before investing in our ADSs. Any of the following risks and uncertainties could have a material adverse effect on our business, financial condition, results of operations and prospects. The market price of our ADSs could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may fail to effectively develop and commercialize new products, which would materially and adversely affect our business, financial condition, results of operations and prospects.

The medical device market is developing rapidly and related technology trends are constantly evolving. This results in frequent introduction of new products, short product life cycles and significant price competition. Consequently, our future success depends on our ability to anticipate technology development trends and identify, develop and commercialize in a timely and cost-effective manner new and advanced products that our customers demand. New products contribute significantly to our revenues. Products introduced since 2003 accounted for more than 35% of our 2005 total net revenues. We expect the medical device market to continue to evolve toward newer and more advanced products, many of which we do not currently produce. For example, the market for five-part hematology analyzers has been growing faster than the market for three-part hematology analyzers for several years, yet we did not offer a five-part hematology analyzer until September of this year. Moreover, it may take an extended period of time for our new products to gain market acceptance, if at all. Furthermore, as the life cycle for a product matures, the average selling price generally decreases. Although we have previously offset the effect of declining average sales prices through increased sales volumes and reductions in manufacturing costs, we may be unable to do so in the future. Lastly, during a product s life cycle, problems may arise regarding regulatory, intellectual property, product liability or other issues which may affect its continued commercial viability.

Whether we are successful in developing and commercializing new products is determined by our ability to:

accurately assess technology trends and customer needs and meet market demands;

optimize our manufacturing and procurement processes to predict and control costs;

manufacture and deliver products in a timely manner;

increase customer awareness and acceptance of our products;

minimize the time and costs required to obtain required regulatory clearances or approvals;

anticipate and compete effectively with other medical device developers, manufacturers and marketers;

price our products competitively; and

effectively integrate customer feedback into our research and development planning.

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We depend on distributors for a significant majority of our revenues and will rely on adding distributors both in China and internationally for most of our revenue growth. Failure to maintain relationships with our distributors or to otherwise expand our distribution network would materially and adversely affect our business.

We depend on distributors for a significant majority of our revenues and will rely on adding distributors both in China and internationally for most of our revenue growth. We do not have long-term distribution agreements. As our existing distribution agreements expire, we may be unable to renew with our desired distributors on favorable terms or at all. In addition, we seek to limit our dependence on any single distributor by limiting and periodically redefining the scope of each distributor s territory and the range of our products that it sells, which may make us less attractive to some distributors. Furthermore, competition for distributors is intense. We compete for distributors domestically and internationally with other leading medical equipment and device companies that may have higher visibility, greater name recognition and financial resources, and a broader product selection than we do. Our competitors also often enter into long-term distribution agreements that effectively prevent their distributors from selling our products. Consequently, maintaining relationships with existing distributors and replacing distributors may be difficult and time consuming. Any disruption of our distribution network, including our failure to renew our existing distribution agreements with our desired distributors, could negatively affect our ability to effectively sell our products and would materially and adversely affect our business, financial condition and results of operations.

We may not be able to effectively manage our distribution network, and our business, prospects and brand may be materially and adversely affected by actions taken by our distributors.

We have limited ability to manage the activities of our distributors, who are independent from us. Our distributors could take one or more of the following actions, any of which could have a material adverse effect on our business, prospects and brand:

sell products that compete with our products that they have contracted to sell for us;

sell our products outside their designated territory, possibly in violation of the exclusive distribution rights of other distributors;

fail to adequately promote our products;

fail to provide proper training, repair and service to our end-users; or

violate the anti-corruption laws of China, the United States or other countries.

Failure to adequately manage our distribution network, or non-compliance by distributors with our distribution agreements could harm our corporate image among end users of our products and disrupt our sales, resulting in a failure to meet our sales goals. Furthermore, we could be liable for actions taken by our distributors, including any violations of applicable law in connection with the marketing or sale of our products, including China s anti-corruption laws and the US Foreign Corrupt Practices Act, or FCPA. In particular, we may be held liable for actions taken by our distributors even though almost all of our distributors are foreign companies that are not subject to the FCPA. Recently, PRC government has increased its anti-bribery efforts in the healthcare sector to reduce improper payments received by hospital administrators and doctors in connection with the purchase of pharmaceutical products and medical devices. Our distributors may violate these laws or otherwise engage in illegal practices with respect to their sales or marketing of our products. If our distributors violate these laws, we could be required to pay damages or fines, which could materially and adversely affect our financial condition and results of operations. In addition, our brand and reputation, our sales activities or the price of our ADSs could be adversely affected if our company becomes the target of any negative publicity as a result of actions taken by our distributors.

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Our failure to obtain the prior approval of the China Securities Regulatory Commission, or the CSRC, of the listing and trading of our ADSs on the New York Stock Exchange could significantly delay this offering or could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs, and may also create uncertainties for this offering.

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated a regulation that became effective on September 8, 2006. This regulation, among other things, has some provisions that purport to require that an offshore special purpose vehicle, or SPV, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such SPV s securities on an overseas stock exchange. On September 21, the CSRC published on its official website procedures specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings. The application of this new PRC regulation remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope and applicability of the CSRC approval requirement.

Our PRC counsel, King & Wood, has advised us that, based on their understanding of the current PRC laws, regulations and rules and the procedures announced on September 21, 2006:

The CSRC has jurisdiction over our offering;

However, given that we have completed our restructuring and filed our listing registration before September 8, 2006, the effective date of the new regulation, and have substantially accomplished our listing process before September 21, 2006, it is not necessary for us to submit the application to the CSRC for its retroactive approval, and subsequent listing and trading of our ADSs on the New York Stock Exchange should not require CSRC approval; and

Should an application for CSRC approval be required from us, we have a sufficient and justifiable basis to request a waiver from the CSRC, if and when such procedures are established to obtain such a waiver.

A copy of King & Wood s legal opinion regarding this new PRC regulation is filed as an exhibit to our registration statement on Form F-1, which is available at the SEC s website at *www.sec.gov*.

If the CSRC requires that we obtain its approval prior to the completion of this offering, this offering will be delayed until we obtain CSRC approval, which may take several months. If prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

Also, if later the CSRC requires that we obtain its approval, we may be unable to obtain a waiver of the CSRC approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding this CSRC approval requirement could have a material adverse effect on the trading price of our ADSs.

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International expansion may be costly, time consuming and difficult. If we do not successfully expand internationally, our profitability and prospects would be materially and adversely affected.

Our future success is significantly dependent upon our ability to expand in our existing international markets and enter into new international markets. In expanding our business internationally, we have entered and intend to continue to enter markets in which we have limited or no experience and in which our brand may be less recognized. To further promote our brand and generate demand for our products so as to attract distributors in international markets, we expect to spend significantly more on marketing and promotion than we do in our existing markets. We may be unable to attract a sufficient number of distributors, and our selected distributors may not be suitable for selling our products. Furthermore, in new markets we may fail to anticipate competitive conditions that are different from those in our existing markets. These competitive conditions may make it difficult or impossible for us to effectively operate in these markets. If our expansion efforts in existing and new markets are unsuccessful, our profitability and prospects would be materially and adversely affected.

We are exposed to other risks associated with international operations, including:

political instability;

economic instability and recessions;

changes in tariffs;

difficulties of administering foreign operations generally;

limited protection for intellectual property rights;

obligations to comply with a wide variety of foreign laws and other regulatory requirements;

increased risk of exposure to terrorist activities;

financial condition, expertise and performance of our international distributors;

export license requirements;

unauthorized re-export of our products;

potentially adverse tax consequences; and

inability to effectively enforce contractual or legal rights.

If we fail to accurately project demand for our products, we may encounter problems of inadequate supply or oversupply, especially with respect to our international markets, which would materially and adversely affect our financial condition and results of operations, as well as damage our reputation and brand.

Our distributors typically order our products on a purchase order basis. We project demand for our products based on rolling projections from our distributors, our understanding of anticipated hospital procurement spending, and distributor inventory levels. Lack of significant order backlog and the varying sales and purchasing cycles of our distributors and other customers, however, make it difficult for us to forecast future demand accurately.

Our projections of market demand for our products in international markets are less reliable than our domestic projections because we have less information available on which to base our projections. Specifically, we do not have consistently reliable information regarding international distributor inventory levels, and we often lack extensive knowledge of the local market conditions or about the purchasing patterns, preferences, or cycles of international distributors. Furthermore, because shipping finished products to international distributors typically takes more time

than shipping to domestic distributors, inaccurate projections of international demand could result more quickly in unmet demand.

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If we overestimate demand, we may purchase more raw materials or components than required. If we underestimate demand, our third party suppliers may have inadequate raw material or product component inventories, which could interrupt our manufacturing and delay shipments, and could result in lost sales. In particular, we are seeking to reduce our procurement and inventory costs by matching our inventories closely with our projected manufacturing needs and by, from time to time, deferring our purchase of raw materials and components in anticipation of supplier price reductions. As we seek to balance reduced inventory costs and production flexibility, we may fail to accurately forecast demand and coordinate our procurement and production to meet demand on a timely basis. For example, we did not foresee a surge in direct sales orders from hospitals in China during the fourth quarter in 2005. Our underestimation of demand, coupled with our decision to defer our purchase of new raw materials and components in anticipation of a reduction in pricing for certain raw materials and components at the beginning of a new calendar year, resulted in up to three-week delays in our product deliveries internationally. Our inability to accurately predict our demand and to timely meet our demand could materially and adversely affect our financial conditions and results of operations as well as damage our reputation and corporate brand.

We depend on our key personnel, and our business and growth may be severely disrupted if we lose their services.

Our future success is significantly dependent upon the continued service of our key executives and other key employees. In particular, we are highly dependent on our co-chief executive officers, Mr. Xu Hang and Mr. Li Xiting, and our executive vice president of sales and marketing, Mr. Cheng Minghe, to manage our business and operations, and on our key research and development personnel for the development of new products. We have entered into employment agreements with each of our key executives and other key employees for three-year terms. However, if we lose the services of any senior management or key research and development personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and growth. Furthermore, as we expect to continue to expand our operations and develop new products, we will need to continue attracting and retaining experienced management and key research and development personnel.

Competition for personnel in the medical technology field is intense, and the availability of suitable and qualified candidates in China, particularly Shenzhen, is limited. We compete to attract and retain qualified research and development personnel with other medical device companies, universities and research institutions. Competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them, which could materially and adversely affect our financial condition and results of operations. We may be unable to attract or retain the personnel required to achieve our business objectives and failure to do so could severely disrupt our business and growth.

Our business is subject to intense competition, which may reduce demand for our products and materially and adversely affect our business, financial condition, results of operations and prospects.

The medical device market is highly competitive, and we expect competition to intensify in the future. We face direct competition both domestically and internationally across all product lines and price points. Our competitors also vary significantly according to business segment. For domestic sales, our competitors include publicly traded and privately held multinational companies, as well as domestic Chinese companies. For international sales, our competitors are primarily publicly traded and privately held multinational companies. We also face competition in international sales from companies that have local operations in the markets in which we sell our products. Some of our larger competitors may have:

- greater financial and other resources;
- larger variety of products;
- more products that have received regulatory approvals;
- greater pricing flexibility;

more extensive research and development and technical capabilities;

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patent portfolios that may present an obstacle to our conduct of business;

greater knowledge of local market conditions where we seek to increase our international sales;

stronger brand recognition; and

larger sales and distribution networks.

As a result, we may be unable to offer products similar to, or more desirable than, those offered by our competitors, market our products as effectively as our competitors or otherwise respond successfully to competitive pressures. In addition, our competitors may be able to offer discounts on competing products as part of a bundle of non-competing products, systems and services that they sell to our customers, and we may not be able to profitably match those discounts. Furthermore, our competitors may develop technologies and products that are more effective than those we currently offer or that render our products obsolete or uncompetitive. In addition, the timing of the introduction of competing products into the market could affect the market acceptance and market share of our products. Our failure to compete successfully could materially and adversely affect our business, financial condition, results of operation and prospects.

Moreover, some of our internationally-based competitors have established or are in the process of establishing production and research and development facilities in China, while others have entered into cooperative business arrangements with Chinese manufacturers. If we are unable to develop competitive products, obtain regulatory approval or clearance and supply sufficient quantities to the market as quickly and effectively as our competitors, market acceptance of our products may be limited, which could result in decreased sales. In addition, we may not be able to maintain our manufacturing cost advantage.

In addition, we believe that corrupt practices in the medical device industry in China still occur. To increase sales, certain manufacturers or distributors of medical devices may pay kickbacks or provide other benefits to hospital personnel who make procurement decisions. Our company policy prohibits these practices by our direct sales personnel and our distribution agreements require our distributors to comply with applicable law. As a result, as competition intensifies in the medical device industry in China, we may lose sales, customers or contracts to competitors.

We rely on one principal manufacturing, assembly and storage facility for our products and intend to expand or move into a new facility within the next two years. Any disruption to our current manufacturing facility or in the build out of the new or expanded capacity could reduce our sales and harm our reputation.

We manufacture, assemble and store almost all of our products, as well as conduct some of our primary research and development activities, at a principal facility located in Shenzhen, China. We do not maintain back-up facilities, so we depend on this facility for the continued operation of our business. A natural disaster or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to manufacture our products and operate our business, as well as delay our research and development activities. Our facility and certain equipment located in this facility would be difficult to replace and could require substantial replacement lead-time. Catastrophic events may also destroy any inventory located in our facility. The occurrence of such an event could materially and adversely affect our business.

We intend to construct a new headquarters building and expand our manufacturing, assembly and warehouse facilities, including the potential relocation into a facility, and we will move our primary management and administration functions into the new headquarters facility. Our new construction projects or expanded facilities will require significant build-out before we will be able to relocate. We may experience difficulties that disrupt our management and administration or manufacturing activities as we migrate to our new headquarters building and expanded manufacturing facility, which could harm our business, financial condition and results of operations.

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If we are unable to obtain adequate supplies of required materials and components that meet our production standards at acceptable costs or at all, our ability to accept and fulfill product orders with the required quality and at the required time could be restricted, which could materially and adversely affect our business, financial condition and results of operations.

We purchase raw materials and components from third party suppliers and manufacture and assemble our products at our facility. Our purchases are generally made on a purchase order basis and we do not have long-term supply contracts. As a result, our suppliers may cease to provide components to us with little or no advance notice. In addition, to optimize our cost structure, we currently rely on single source suppliers to provide some of our raw materials and components for products in all three of our business segments. If the supply of certain materials or components were interrupted, our own manufacturing and assembly processes would be delayed. We also may be unable to secure alternative supply sources in a timely and cost-effective manner. If we are unable to obtain adequate supplies of required materials and components that meet our production standards at acceptable costs or at all, our ability to accept and fulfill product orders with the required quality, and at the required time could be restricted. This could harm our reputation, reduce our sales or gross margins, and cause us to lose market share, each of which could materially and adversely affect our business, financial condition and results of operations.

Failure to manage our growth could strain our management, operational and other resources, which could materially and adversely affect our business and prospects.

Our growth strategy includes building our brand, increasing market penetration of our existing products, developing new products, increasing our targeting of large-sized hospitals in China, and increasing our exports. Pursuing these strategies has resulted in, and will continue to result in substantial demands on management resources. In particular, the management of our growth will require, among other things:

continued enhancement of our research and development capabilities;

information technology system enhancement;

stringent cost controls and sufficient liquidity;

strengthening of financial and management controls and information technology systems;

increased marketing, sales and sales support activities; and

hiring and training of new personnel.

If we are not able to manage our growth successfully, our business and prospects would be materially and adversely affected.

We generate a significant portion of our revenues from a small number of products, and a reduction in demand in any of these products could materially and adversely affect our financial condition and results of operations.

We derive a substantial percentage of our revenues from a small number of products. Our five top selling products accounted for 63.9%, 53.5%, 45.0% and 38.1% of our total net segment revenues in 2003, 2004, 2005 and the six months ended June 30, 2006, respectively. In the six months ended June 30, 2006, our best-selling product, the portable PM-9000 multi-parameter patient monitoring device, accounted for 13.3% of our total net segment revenues. We expect a small number of our key products will continue to account for a significant portion of our net revenues for the foreseeable future. As a result, continued market acceptance and popularity of these products is critical to our success, and a reduction in demand for our key products due to, among other factors, the introduction of competing products by our competitors, the entry of new competitors, or end-users dissatisfaction with the quality of these products could materially and adversely affect our financial condition and results of operations.

Moreover, we are particularly dependent on sales of our patient monitoring devices, which accounted for 41.0% of our net segment revenues in the six months ended June 30, 2006. If the market for patient

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monitoring devices deteriorates, our financial condition and results of operations could be materially and adversely affected. We are also susceptible to market changes for diagnostic laboratory instruments and ultrasound imaging systems, which accounted for 28.7% and 30.0% of our net segment revenues in the six months ended June 30, 2006, respectively. Future changes in customer demand and market trends may have a material adverse effect on our business and prospects.

If we fail to protect our intellectual property rights it could harm our business and competitive position.

We rely on a combination of patent, copyright, trademark and trade secret laws and non-disclosure agreements and other methods to protect our intellectual property rights. We own over 60 patents in China covering various products and aspects of our products and have additional patent applications pending in China. We have also filed 20 patent applications in the United States, which cover some of the more commercially significant aspects of our products and technologies. Due to the different regulatory bodies and varying requirements in the United States and China, we may be unable to obtain patent protection for certain aspects of our products or technologies in either or both of these two countries. In addition, we have not applied for any patents outside of the United States and China.

The process of seeking patent protection can be lengthy and expensive, our patent applications may fail to result in patents being issued, and our existing and future issued patents may be insufficient to provide us with meaningful protection or commercial advantage. Our patents and patent applications may also be challenged, invalidated or circumvented in the future.

We also rely on trade secret rights to protect our business through non-disclosure provisions in the employment agreements with employees. If any of our employees breach their non-disclosure obligations, we may not have adequate remedies in China, and our trade secrets may become known to our competitors.

Implementation of PRC intellectual property-related laws has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other western countries. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and an adverse determination in any such litigation, if any, could result in substantial costs and diversion of resources and management attention, which could harm our business and competitive position.

We may be exposed to intellectual property infringement and other claims by third parties which, if successful, could disrupt our business and have a material adverse effect on our financial condition and results of operations.

Our success depends, in large part, on our ability to use and develop our technology and know-how without infringing third party intellectual property rights. As we increase our product sales internationally, and as litigation becomes more common in China, we face a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification relating to other parties proprietary rights. Our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, may have or may obtain patents that will prevent, limit or interfere with our ability to make, use or sell our products in either China or other countries, including the United States and other countries in Asia. The validity and scope of claims relating to medical device technology patents involve complex scientific, legal and factual questions and analysis and, as a result, may be highly uncertain. In addition, the defense of intellectual property suits, including patent infringement suits, and related legal and administrative proceedings can be both costly and time consuming and may significantly

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divert the efforts and resources of our technical and management personnel. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party could cause us to:

pay damage awards;

seek licenses from third parties;

pay ongoing royalties;

redesign our products; or

be restricted by injunctions,

each of which could effectively prevent us from pursuing some or all of our business and result in our customers or potential customers deferring or limiting their purchase or use of our products, which could have a material adverse effect on our financial condition and results of operations.

Unauthorized use of our brand name by third parties, and the expenses incurred in developing and preserving the value of our brand name, may adversely affect our business.

We regard our brand name as critical to our success. Unauthorized use of our brand name by third parties may adversely affect our business and reputation, including the perceived quality and reliability of our products. We rely on trademark law, company brand name protection policies, and agreements with our employees, customers, business partners and others to protect the value of our brand name. Despite our precautions, we may be unable to prevent third parties from using our brand name without authorization. In the past, we have experienced unauthorized use of our brand name in China and have expended resources and the attention and time of our management to successfully prosecute those who used our brand name without authorization. Moreover, litigation may be necessary in the future to protect our brand name. However, because the validity, enforceability and scope of protection of trademarks in the PRC are uncertain and still evolving, we may not be successful in prosecuting these cases. Future litigation could also result in substantial costs and diversion of our resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations. In addition, we are in the process of registering our brandname and logo as trademark in countries outside of China. Our registration applications may not be successful in certain countries, which could weaken the protection of our brand name in those countries or may require that we market our products under different names in those countries.

If we fail to obtain or maintain applicable regulatory clearances or approvals for our products, or if such clearances or approvals are delayed, we will be unable to commercially distribute and market our products at all or in a timely manner, which could significantly disrupt our business and materially and adversely affect our sales and profitability.

The sale and marketing of our medical device products are subject to regulation in China and in most other countries where we conduct business. For a significant portion of our sales, we need to obtain and renew licenses and registrations with the PRC State Food and Drug Administration, or SFDA, the FDA, and the regulators administering CE marks in the European Union. The processes for obtaining regulatory clearances or approvals can be lengthy and expensive, and the results are unpredictable. In addition, the relevant regulatory authorities may introduce additional requirements or procedures that have the effect of delaying or prolonging the regulatory clearance or approval for our existing or new products. For example, the SFDA introduced a new safety standard to its approval process for new medical devices, which we believe has increased the typical time period required to obtain such approval by approximately three months. This delayed the planned launch of three of our new products in the third quarter of 2006. If we are unable to obtain clearances or approvals needed to market existing or new products, or obtain such clearances or approvals in a timely fashion, our business would be significantly disrupted, and our sales and profitability could be materially and adversely affected. See Regulation.

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We are subject to product liability exposure and have limited insurance coverage. Any product liability claims or potential safety-related regulatory actions could damage our reputation and materially and adversely affect our business, financial condition and results of operations.

Our main products are medical devices used in the diagnosis and monitoring of patients, and the manufacture and sale of these products expose us to potential product liability claims if the use of these products causes or is alleged to have caused personal injuries or other adverse effects. Any product liability claim or regulatory action could be costly and time-consuming to defend. If successful, product liability claims may require us to pay substantial damages. We maintain limited product liability insurance to cover potential product liability arising from the use of our products. However, product liability insurance available in China offers limited coverage compared to coverage offered in many other countries. As a result, future liability claims could be excluded or exceed the coverage limits of our policy. As we expand our sales internationally and increase our exposure to these risks in many countries, we may be unable to maintain sufficient product liability insurance coverage on commercially reasonable terms, or at all. A product liability claim or potential safety-related regulatory action, with or without merit, could result in significant negative publicity and materially and adversely affect the marketability of our products and our reputation, as well as our business, financial condition and results of operations.

Moreover, a material design, manufacturing or quality failure or defect in our products, other safety issues or heightened regulatory scrutiny could each warrant a product recall by us and result in increased product liability claims. Also, if these products are deemed by the authorities in the countries where we sell our products to fail to conform to product quality and safety requirements, we could be subject to regulatory action. In China, violation of PRC product quality and safety requirements may subject us to confiscation of related earnings, penalties, an order to cease sales of the violating product or to cease operations pending rectification. Furthermore, if the violation is determined to be serious, our business license to manufacture or sell violating and other products could be suspended or revoked.

Our revenues and profitability could be materially and adversely affected if there is a disruption in our existing arrangements with our original design manufacturing and original equipment manufacturing customers.

In 2005 and the six months ended June 30, 2006, ODM customers accounted for 9.7% and 5.4%, respectively, of our net revenues and, during the same period, OEM customers accounted for 7.7% and 5.3%, respectively, of our net revenues. We have invested significant time and resources in cultivating these relationships. In particular, we are typically required to undergo lengthy product approval processes with these customers, which in some cases can take up to 16 months. The length of the approval process may vary and is affected by a number of factors, including customer priorities, customer budgets and regulatory issues. Delays in the product approval process could materially and adversely affect our business, financial condition and results of operations. Moreover, our ODM and OEM customers may develop their own solutions or adopt a competitor s solution for products that they currently purchase from us. We may be unable to maintain our existing arrangements with our ODM and OEM customers. In particular, any failure in generating orders from these customers or decrease in sales to these customers, as well as any adoption by these customers of their own or our competitors product solutions, could have a material adverse effect on our revenues and profitability.

Our quarterly revenues and operating results are difficult to predict and could fall below investor expectations, which could cause the trading price of our ADSs to decline.

Our quarterly revenues and operating results have fluctuated in the past and may fluctuate significantly in the future depending upon numerous factors. Our first quarters ending March 31 have historically been our lowest in terms of quarterly revenues and operating results. We believe that our weaker first quarter

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performance has been largely due to the Chinese Lunar New Year Holiday. Other factors that may affect our quarterly results include:

- the loss of key customers;
- changes in pricing policies by us or our competitors;
- variations in the purchasing cycles of our customers;
- the length of our sales and delivery cycle;
- the timing and market acceptance of new product introductions by us or our competitors;
- the timing of receipt of government incentives;
- changes in the industry operating environment;
- changes in government policies or regulations (including anti-commercial bribery laws) or their enforcement; and
- a downturn in general economic conditions in China or internationally.

Many of these factors are beyond our control, making our quarterly results difficult to predict, which could cause the trading price of our ADSs to decline below investor expectations. You should not rely on our results of operations for prior quarters as an indication of our future results.

If we experience a significant number of warranty claims, our costs could substantially increase and our reputation and brand could suffer.

We typically sell our products with warranty terms covering 12 months after purchase. Our product warranty requires us to repair all mechanical malfunctions and, if necessary, replace defective components. We accrue liability for potential warranty claims at the time of sale. If we experience an increase in warranty claims or if our repair and replacement costs associated with warranty claims increase significantly, we may have to accrue a greater liability for potential warranty claims. Moreover, an increase in the frequency of warranty claims could substantially increase our costs and harm our reputation and brand. Our business, financial condition, results of operations and prospects may suffer materially if we experience a significant increase in warranty claims on our products.

Our corporate actions are substantially controlled by our principal shareholders. Our dual-class ordinary share structure with different voting rights could discourage others from pursuing any change of control transactions that our shareholders may view as beneficial.

On September 1, 2006, our shareholders approved our amended memorandum and articles of association to provide for a dual-class ordinary share structure upon consummation of this offering. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to five votes per share.

Upon completion of this offering, three of our shareholders and their affiliated entities will own approximately 44.8% of our outstanding ordinary shares, representing approximately 80.2% of our voting power due to our dual-class ordinary share structure. Our co-chief executive officers, Mr. Xu Hang and Mr. Li Xiting, and our executive vice president of sales and marketing, Mr. Cheng Minghe, through their respective affiliates, hold all of our Class B ordinary shares. These shareholders will exert control over all matters subject to shareholder vote until they collectively own less than 20% of our outstanding ordinary shares. This concentration of voting power may discourage, delay or prevent a change in control or other business combination, which could deprive you of an opportunity to receive a premium for your ADSs as part of a sale of our company and might reduce the price of our ADSs. The interests of Mr. Xu, Mr. Li, and Mr. Cheng as officers and employees of our company may differ from their interests as shareholders of our company or from your interests as a shareholder.

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Anti-takeover provisions in our charter documents may discourage our acquisition by a third party, which could limit our shareholders opportunity to sell their shares, including Class A ordinary shares represented by our ADSs, at a premium.

Our amended and restated memorandum and articles of association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change of control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares, including Class A ordinary shares represented by ADSs, at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of us in a tender offer or similar transaction.

For example, our board of directors will have the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares. Preferred shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if our board of directors authorizes the issuance of preferred shares, the trading price of our ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares may be materially and adversely affected. See Description of Share Capital Issuance of Additional Ordinary Shares or Preferred Shares.

Certain actions require the approval of a supermajority of at least two thirds of our board of directors which, among other things, would allow our non-independent directors to block a variety of actions or transactions, such as a merger, asset sale or other change of control, even if all of our independent directors unanimously voted in favor of such action, thereby further depriving our shareholders of an opportunity to sell their shares at a premium. In addition, our directors are divided into three classes with staggered terms of three years each, which means that shareholders can elect or remove only a limited number of our directors in any given year. The length of these terms could present an additional obstacle against the taking of action, such as a merger or other change of control, that could be in the interest of our shareholders. See Description of Share Capital Board of Directors.

We may undertake acquisitions, which may have a material adverse effect on our ability to manage our business, and may end up being unsuccessful.

Our growth strategy may involve the acquisition of new technologies, businesses, products or services or the creation of strategic alliances in areas in which we do not currently operate. These acquisitions could require that our management develop expertise in new areas, manage new business relationships and attract new types of customers. Furthermore, acquisitions may require significant attention from our management, and the diversion of our management s attention and resources could have a material adverse effect on our ability to manage our business. We may also experience difficulties integrating acquisitions into our existing business and operations. Future acquisitions may also expose us to potential risks, including risks associated with:

- the integration of new operations, services and personnel;
- unforeseen or hidden liabilities;
- the diversion of resources from our existing businesses and technologies;
- our inability to generate sufficient revenue to offset the costs of acquisitions; and
- potential loss of, or harm to, relationships with employees or customers, any of which could significantly disrupt our ability to manage our business and materially and adversely affect our business, financial condition and results of operations.

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We may need additional capital in the future, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

In order for us to grow, remain competitive, develop new products, and expand our distribution network, we may require additional capital in the future. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

our future financial condition, results of operations and cash flows;

general market conditions for capital raising activities by medical device and related companies; and

economic, political and other conditions in China and elsewhere.

We may be unable to obtain additional capital in a timely manner or on acceptable terms or at all. Furthermore, the terms and amount of any additional capital raised through issuances of equity securities may result in significant shareholder dilution.

We may become a passive foreign investment company, or PFIC, which could result in adverse United States federal income tax consequences to US holders.

Depending upon the value of our shares and ADSs and the nature of our assets and income over time, we could be classified as a passive foreign investment company, or PFIC, by the United States Internal Revenue Service, or IRS, for US federal income tax purposes. Based on assumptions as to our projections of the value of our outstanding shares during the year and our use of the proceeds of this offering and of the other cash that we will hold and generate in the ordinary course of our business throughout taxable year 2006, we do not expect to be a PFIC for the taxable year 2006. However, there can be no assurance that we will not be a PFIC for the taxable year 2006 and/or later taxable years, as PFIC status is tested each year and depends on our assets and income in such year. Our PFIC status for the current taxable year 2006 will not be determinable until the close of the taxable year ending December 31, 2006.

We will be classified as a PFIC in any taxable year if either: (1) the average percentage value of our gross assets during the taxable year that produce passive income or are held for the production of passive income is at least 50% of the value of our total gross assets or (2) 75% or more of our gross income for the taxable year is passive income. For example, we would be a PFIC for the taxable year 2006 if the sum of our average market capitalization, which is our share price multiplied by the total amount of our outstanding shares, and our liabilities over that taxable year is not more than twice the value of our cash, cash equivalents, and other assets that are readily converted into cash. In particular, we would likely become a PFIC if the value of our outstanding shares were to decrease significantly while we hold substantial cash and cash equivalents.

If we are classified as a PFIC in any taxable year in which you hold our ADSs or shares and you are a US Holder, you would generally be taxed at higher ordinary income rates, rather than lower capital gain rates, if you dispose of ADSs or shares for a gain in a later year, even if we are not a PFIC in that year. In addition, a portion of the tax imposed on your gain would be increased by an interest charge. Moreover, if we were classified as a PFIC in any taxable year, you would not be able to benefit from any preferential tax rate with respect to any dividend distribution that you may receive from us in that year or in the following year. Finally, you would also be subject to special United States federal income tax reporting requirements. We cannot assure you that we will not be a PFIC for 2006 or any future taxable year. For more information on the United States federal income tax consequences to you that would result from our classification as a PFIC, please see Taxation United States Federal Income Taxation US Holders Passive Foreign Investment Company.

We may not be able to ensure compliance with United States economic sanctions laws, especially when we sell our products to distributors over which we have limited control.

The U.S. Department of the Treasury s Office of Foreign Assets Control, or OFAC, administers certain laws and regulations that impose penalties upon U.S. persons and, in some instances, foreign entities owned

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or controlled by U.S. persons, for conducting activities or transacting business with certain countries, governments, entities or individuals subject to U.S. economic sanctions, or U.S. Economic Sanctions Laws. We will not use any proceeds from the sale of our ADSs to fund any activities or business with any country, government, entity or individual with respect to which U.S. persons or, as appropriate, foreign entities owned or controlled by U.S. persons, are prohibited by U.S. Economic Sanctions Laws from conducting such activities or transacting such business. However, we sell our products in international markets through independent non-U.S. distributors which are responsible for interacting with the end-users of our products. Some of these independent non-U.S. distributors are located in or conduct business with countries subject to U.S. economic sanctions such as Cuba, Sudan, Iran, Syria and Myanmar, and we may not be able to ensure that such non-U.S. distributors comply with any applicable U.S. Economic Sanctions Laws. Moreover, if a U.S. distributor or our United States subsidiary, Mindray USA Corp., conducts activities or transacts business with a country, government, entity or individual subject to U.S. economic sanctions, such actions may violate U.S. Economic Sanctions Laws. As a result of the foregoing, actions could be taken against us that could materially and adversely affect our reputation and have a material and adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to establish and maintain an effective system of internal control over financial reporting, and as a result we may be unable to accurately report our financial results or prevent fraud.

Upon the completion of this offering, we will become a public company in the United States that is or will be subject to the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act, or Section 404, will require that we include a report from management on our internal control over financial reporting in our Annual Report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2007. In addition, our independent registered public accounting firm must attest to and report on management s assessment of the effectiveness of our internal control over financial reporting. Our management may conclude that our internal controls are not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may disagree and may decline to attest to our management s assessment or may issue an adverse opinion. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our reporting processes, which could adversely affect the trading price of our ADSs.

Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. In connection with this offering, a number of control deficiencies in our internal control procedures have been identified that could adversely affect our ability to record, process, summarize and report financial data consistent with the assertions of our management in our consolidated financial statements. Certain identified control deficiencies include the lack of a formalized US GAAP closing and reporting process, internal audit resources and accounting personnel with advanced SEC reporting and US GAAP accounting skills. We may identify additional control deficiencies as a result of the assessment process we will undertake in compliance with Section 404. We plan to remediate control deficiencies identified in time to meet the deadline imposed by the requirements of Section 404, but we may be unable to do so. Our failure to establish and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial reporting processes, which in turn could harm our business and negatively impact the trading price of our ADSs.

RISKS RELATED TO DOING BUSINESS IN CHINA

Changes in China s economic, political and social condition could adversely affect our financial condition and results of operations.

We conduct a substantial majority of our business operations in China and derive a majority of our revenues from our operations in China. Accordingly, our business, financial condition, results of operations

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and prospects are affected to a significant degree by economic, political and social conditions in China. The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by changes in tax regulations applicable to us. The PRC government has implemented certain measures, including a recent interest rate increase, to control the pace of economic growth. These measures may cause decreased economic activity in China, including a slowing or decline in individual hospital spending, which in turn could adversely affect our financial condition and results of operations.

The PRC legal system embodies uncertainties that could limit the legal protections available to you and us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign investment in China. Our PRC operating subsidiary, Shenzhen Mindray, is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign investment in China as well as laws and regulations applicable to foreign-invested enterprises. These laws and regulations change frequently, and their interpretation and enforcement involve uncertainties. For example, we may have to resort to administrative and court proceedings to enforce the legal protections that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into. As a result, these uncertainties could materially and adversely affect our business and operations.

Recent PRC regulations relating to offshore investment activities by PRC residents may increase the administrative burden we face and create regulatory uncertainties that could restrict our overseas and cross-border investment activity, and a failure by our shareholders who are PRC residents to make any required applications and filings pursuant to such regulations may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under PRC law.

The PRC State Administration of Foreign Exchange, or SAFE, recently promulgated regulations that require PRC residents and PRC corporate entities to register with and obtain approvals from relevant PRC government authorities in connection with their direct or indirect offshore investment activities. These regulations apply to our shareholders who are PRC residents in connection with our prior and any future offshore acquisitions.

The SAFE regulation required registration by March 31, 2006 of direct or indirect investments previously made by PRC residents in offshore companies prior to the implementation of the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies on November 1, 2005. If a PRC shareholder with a direct or indirect stake in an offshore parent company fails to make the required SAFE registration, the PRC subsidiaries of such offshore parent company may be prohibited from making distributions of profit to the offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

We have already notified and urged our shareholders, and the shareholders of the offshore entities in our corporate group, who are PRC residents to make the necessary applications and filings, as required under this regulation. However, as these regulations are still relatively new and there is uncertainty concerning the

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reconciliation of the new regulation with other approval requirements, it is unclear how the regulation, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. While we believe that the relevant shareholders are in the process of making the applications with local SAFE offices, some of our shareholders may not comply with our request to make or obtain any applicable registrations or approvals required by the regulation or other related legislation. The failure or inability of our PRC resident shareholders to obtain any required approvals or make any required registrations may subject us to fines and legal sanctions, prevent us from being able to make distributions or pay dividends, as a result of which our business operations and our ability to distribute profits to you could be materially and adversely affected.

We rely principally on dividends and other distributions on equity paid by our operating subsidiary to fund cash and financing requirements, and limitations on the ability of our operating subsidiary to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we rely principally on dividends and other distributions on equity paid by our operating subsidiary Shenzhen Mindray for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses. If Shenzhen Mindray incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by Shenzhen Mindray only out of its retained earnings, if any, determined in accordance with PRC accounting standards and regulations.

Under PRC laws and regulations, Shenzhen Mindray is required to set aside a portion of its net income each year to fund certain statutory reserves. These reserves, together with the registered equity, are not distributable as cash dividends. As of December 31, 2005, the amount of these restricted portions was approximately RMB160.4 million (US$20.1 million). As a result of these PRC laws and regulations, Shenzhen Mindray is restricted in its ability to transfer a portion of its net assets to us whether in the form of dividends, loans or advances. Limitations on the ability of Shenzhen Mindray to pay dividends to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

Restrictions on currency exchange may limit our ability to utilize our revenues effectively.

A majority of our revenues and operating expenses are denominated in Renminbi. The Renminbi is currently convertible under the current account, which includes dividends, trade and service-related foreign exchange transactions, but not under the capital account, which includes foreign direct investment and loans. Currently, Shenzhen Mindray may purchase foreign exchange for settlement of current account transactions, including payment of dividends to us, without the approval of SAFE. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future. Since a significant amount of our future revenues will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenues generated in Renminbi to fund our business activities outside of China denominated in foreign currencies. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect the ability of Shenzhen Mindray to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

Fluctuations in exchange rates could result in foreign currency exchange losses.

As a majority of our cash and cash equivalents are denominated in Renminbi and the net proceeds from this offering will be denominated in US dollars, fluctuations in exchange rates between US dollars and Renminbi will affect the relative purchasing power of these proceeds and our balance sheet and earnings per share in US dollars following this offering. In addition, appreciation or depreciation in the value of the Renminbi relative to the US dollar would affect our financial results reported in US dollar terms without giving effect to any underlying change in our business, financial condition or results of operations. Since July

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2005, the Renminbi is no longer pegged solely to the US dollar. Instead, the Renminbi is reported to be pegged against a basket of currencies, determined by the People s Bank of China, against which it can rise or fall by as much as 0.3% each day. The Renminbi may appreciate or depreciate significantly in value against the US dollar in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the US dollar. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue after this offering which will be exchanged into US dollars and earnings from and the value of any US dollar-denominated investments we make in the future.

Appreciation of the Renminbi relative to other foreign currencies could decrease the per unit revenues generated from international sales. If we increased our international pricing to compensate for the reduced purchasing power of foreign currencies, we would decrease the market competitiveness, on a price basis, of our products. This could result in a decrease in our international sales volumes.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

The discontinuation of any of the preferential tax treatments or the financial incentives currently available to us in the PRC could adversely affect our business, financial condition and results of operations.

The PRC government has provided various incentives to Shenzhen Mindray. These incentives include reduced tax rates and other measures. For example, Shenzhen Mindray enjoys preferential tax treatment, in the form of reduced tax rates or tax holidays, provided by the PRC government or its local agencies or bureaus. Shenzhen Mindray benefits from a 15% preferential corporate income tax rate and the preferential policy of two years of exemption and six years of 50% reduction of corporate income tax from the year it becomes profitable, resulting in an effective income tax rate of 7.5% through the end of 2006. Shenzhen Mindray must continue to meet a number of financial and non-financial criteria to qualify for its current tax exemption and future tax holidays.

In 2005, we also received aggregate financial incentives in the form of value added tax refunds of RMB32.1 million (US$4.0 million). In addition, we received certain tax holidays and concessions in 2003, 2004, 2005 and the six months ended June 30, 2006. Without these tax holidays and concessions, we would have had to pay additional tax totaling RMB7.8 million, RMB10.8 million, RMB18.1 million (US$2.3 million), and RMB13.2 million (US$1.7 million) in 2003, 2004, 2005 and the six months ended June 30, 2006, respectively. These financial incentives have been granted by the municipal government of Shenzhen and are subject to annual review by the municipal government. Eligibility for the financial incentives we receive requires that we continue to meet a number of financial and non-financial criteria to continue to qualify for these financial incentives and our continued qualification is further subject to the discretion of the municipal government. Moreover, the central government or the municipal government of Shenzhen could determine at any time to immediately eliminate or reduce these financial incentives, generally with prospective effect. Since the receipt of the financial incentives is subject to periodic time lags and inconsistent government practice on payment times, for so long as we continue to receive these financial incentives, our net income in a particular quarter may be higher or lower relative to other quarters based on the potentially uneven receipt by us of these financial incentives in addition to any business or operating related factors we may otherwise experience.

Pursuant to a PRC tax policy intended to encourage the development of software and integrated circuit industries, our primary operating subsidiary in the PRC, Shenzhen Mindray, was previously entitled to a refund of value-added tax paid at a rate of 14% of the sale value of self-developed software that is embedded in our products. The amount of the refund for this value-added tax included in net revenues was

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RMB18.5 million, RMB24.6 million and RMB32.1 million (US$4.0 million) in 2003, 2004 and 2005, respectively. Beginning in 2006, our embedded self-developed software is no longer eligible for this value-added tax refund due to changes in the types of software that are eligible for this tax refund.

We may not continue to enjoy these preferential tax treatments or financial incentives in the future. Any increase in Shenzhen Mindray s corporate income tax rate, or any discontinuation of these preferential tax treatments or financial incentives could adversely affect our business, financial condition and results of operations. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax holidays and value-added tax refunds we enjoy.

Any future outbreak of severe acute respiratory syndrome or avian flu in China, or similar adverse public health developments, may severely disrupt our business and operations.

Adverse public health epidemics or pandemics could disrupt businesses and the national economy of China and other countries where we do business. From December 2002 to June 2003, China and other countries experienced an outbreak of a new and highly contagious form of atypical pneumonia now known as severe acute respiratory syndrome, or SARS. On July 5, 2003, the World Health Organization declared that the SARS outbreak had been contained. However, a number of isolated new cases of SARS were subsequently reported, most recently in central China in April 2004. During May and June of 2003, many businesses in China were closed by the PRC government to prevent transmission of SARS. Moreover, some Asian countries, including China, have recently encountered incidents of the H5N1 strain of bird flu, or avian flu. We are unable to predict the effect, if any, that avian flu may have on our business. In particular, any future outbreak of SARS, avian flu or similar adverse public health developments may, among other things, significantly disrupt our ability to adequately staff our business, and may adversely affect our operations. Furthermore, an outbreak may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects. As a result, any future outbreak of SARS, avian flu or similar adverse public health developments may have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO THIS OFFERING

An active trading market for our ADSs may not develop.

Prior to this offering, there has been no public market for our ADSs or our ordinary shares underlying the ADSs. If an active public market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs may be adversely affected. We have applied to have our ADSs listed on the New York Stock Exchange. A liquid public market for our ADSs may not develop. The initial public offering price for our ADSs has been determined by negotiation between us and the underwriters based upon several factors, and the price at which our ADSs trade after this offering may decline below the initial public offering price. As a result, investors in our ADSs may experience a decrease in the value of their ADSs regardless of our operating performance or prospects.

The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to you.

The trading prices of our ADSs are likely to be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes for our ADSs. Recently, a number of PRC companies have listed their securities, or are in the process of preparing for listing their securities, on US stock markets. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of these PRC companies securities at the time of or after their offerings may affect the overall investor sentiment towards PRC companies listed in the United States and consequently may impact the trading performance of our ADSs. These broad market and industry

factors may significantly affect the market price and volatility of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for specific business reasons. In particular, factors such as variations in our revenues, earnings and cash flow, announcements of new investments and cooperation arrangements or acquisitions, could cause the market price for our ADSs to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our ADSs. In the past, following periods of volatility in the market price of a company s securities, shareholders have often instituted securities class action litigation against that company. If we were involved in a class action suit, it could divert the attention of senior management, and, if adversely determined, could have a material adverse effect on our financial condition and results of operations.

The sale or availability for sale of substantial amounts of our ADSs could adversely affect their trading price and could materially impair our future ability to raise capital through offerings of our ADSs.

Sales of substantial amounts of our ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our future ability to raise capital through offerings of our ADSs.

There will be 103,727,677 ordinary shares (consisting of 57,289,767 Class A ordinary shares and 46,437,910 Class B ordinary shares) outstanding immediately after this offering, or 105,727,677 ordinary shares (consisting of 60,289,767 Class A ordinary shares and 45,437,910 Class B ordinary shares) if the underwriters exercise in full their option to purchase additional ADSs, in each case based on the number of shares outstanding as of September 11, 2006. In addition, as of September 11, 2006, there were outstanding options to purchase 9,818,300 ordinary shares, 150,000 of which were exercisable as of that date. All of the ADSs sold in this offering will be freely tradable without restriction or further registration under the US Securities Act of 1933, as amended, or the Securities Act, unless held by our affiliates as that term is defined in Rule 144 under the Securities Act, or Rule 144. The 93,084,677 ordinary shares outstanding prior to this offering (assuming the conversion of all outstanding preferred shares into ordinary shares) are restricted securities as defined in Rule 144 and may not be sold in the absence of registration other than in accordance with Rule 144 or another exemption from registration.

In connection with this offering, we, each of our directors and executive officers and substantially all of our shareholders, including each of the selling shareholders, have agreed, among other things, not to sell any ordinary shares or ADSs for 180 days after the date of this prospectus without the written consent of the underwriters. However, the underwriters may release these securities from these restrictions at any time, subject to applicable regulations of the National Association of Securities Dealers, Inc., or NASD. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. See Underwriting and Shares Eligible for Future Sale for a more detailed description of the restrictions on selling our securities after this offering.

As the initial public offering price is substantially higher than the pro forma net tangible book value per share, you will incur immediate and substantial dilution.

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately RMB96.13 (US$12.02) per ADS (assuming no exercise of outstanding options to acquire ordinary shares), representing the difference between our pro forma net tangible book value per ADS as of June 30, 2006, after giving effect to this offering and the initial public offering price of US$13.50 per ADS. In addition, you will experience further dilution to the extent that our ordinary shares are issued upon the exercise of share options. All of the ordinary shares issuable upon the exercise of currently outstanding share options will be issued at a purchase price on a per ADS basis that is less than the initial public offering price per ADS in this offering. See Dilution for a more complete

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description of how the value of your investment in our ADSs will be diluted upon the completion of this offering.

You may face difficulties in protecting your interests, and our ability to protect our rights through the US federal courts may be limited, because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against the directors and actions by minority shareholders are to a large extent governed by the common law of the Cayman Islands. Cayman Islands law in this area may not be as established and may differ from provisions under statues or judicial precedent in existence in the United States. As a result, our public shareholders may face different considerations in protecting their interests in actions against our management or directors than would shareholders of a corporation incorporated in a jurisdiction of the United States.

The rights of shareholders and the responsibilities of management and members of the board of directors under Cayman Islands law, such as in the areas of fiduciary duties, are different from those applicable to a company incorporated in a jurisdiction of the United States. For example, the Cayman Islands courts are unlikely:

- to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of US federal securities laws; and

- in original actions brought in the Cayman Islands, to impose liabilities against us based on certain civil liability provisions of US federal securities laws that are penal in nature.

As a result, our public shareholders may have more difficulty in protecting their interests in connection with actions taken by our management or members of our board of directors than they would as public shareholders of a company incorporated in the United States.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the US federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and China, see Enforcement of Civil Liabilities.

We have not determined a specific use for a portion of the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree.

We have not determined a specific use for a portion of the net proceeds of this offering. Our management will have considerable discretion in the application of these proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds may be used for corporate purposes that do not improve our profitability or increase our ADS price. The net proceeds from this offering may also be placed in investments that do not produce income or lose value.

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Your voting rights as a holder of our ADSs are limited by the terms of the deposit agreement.

You may only exercise your voting rights with respect to the Class A ordinary shares underlying your ADSs in accordance with the provisions of the deposit agreement. Upon receipt of voting instructions from you in the manner set forth in the deposit agreement, the depositary for our ADSs will endeavor to vote your underlying Class A ordinary shares in accordance with these instructions. Under our amended and restated memorandum and articles of association and Cayman Islands law, the minimum notice period required for convening a general meeting is ten days. When a general meeting is convened, you may not receive sufficient notice of a shareholders meeting to permit you to withdraw your Class A ordinary shares to allow you to cast your vote with respect to any specific matter at the meeting. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but you may not receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your Class A ordinary shares are not voted as you requested.

The depositary for our ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs if you do not vote at shareholders meetings, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for our ADSs, the depositary will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs at shareholders meetings if you do not vote, unless:

we have failed to timely provide the depositary with our notice of meeting and related voting materials;

we have instructed the depositary that we do not wish a discretionary proxy to be given;

we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;

a matter to be voted on at the meeting would have a material adverse impact on shareholders; or

voting at the meeting is made on a show of hands.

The effect of this discretionary proxy is that you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence the management of our company.

You may not receive distributions on our Class A ordinary shares or any value for them if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay you the cash dividends or other distributions it or the custodian for our ADSs receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our Class A ordinary shares your ADSs represent. However, the depositary is not responsible if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts made by the depositary. We have no obligation to take any other action to permit the distribution of our ADSs, Class A ordinary shares, rights or anything else to holders of our ADSs. This means that you may not receive the distributions we make on our Class A ordinary shares or any value for them if it is illegal or

impractical for us to make them available to you. These restrictions may have a material and adverse effect on the value of your ADSs.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs represented by ADRs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about us and our industry. All statements other than statements of historical fact in this prospectus are forward-looking statements. These forward-looking statements can be identified by words or phrases such as anticipate, believe, continue, estimate, expect, intend, is/are likely to may, plan, should, expressions. The forward-looking statements included in this prospectus relate to, among others:

our goals and strategies;

our future business development, financial condition and results of operations;

the expected growth of the medical device market in China and internationally;

market acceptance of our products;

our expectations regarding demand for our products;

our ability to expand our production, our sales and distribution network and other aspects of our operations;

our ability to stay abreast of market trends and technological advances;

our ability to effectively protect our intellectual property rights and not infringe on the intellectual property rights of others;

competition in the medical device industry in China and internationally;

relevant government policies and regulations relating to the medical device industry; and

general economic and business conditions in the countries in which we operate.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may turn out to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in the Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, and other sections in this prospectus.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Market Data and Forecasts

This prospectus also contains data related to the medical device industry in China. These market data include projections that are based on a number of assumptions. The medical device market may not grow at the rate projected by market data, or at all. The failure of this market to grow at the projected rate may have a material adverse effect on our business and the market price of our ADSs. In addition, the rapidly changing nature of the medical device industry subjects any projections or estimates relating to the growth prospects or future condition of our market to significant uncertainties. Furthermore, if any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

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Unless otherwise indicated, information in this prospectus concerning economic conditions and our industry is based on information from independent industry analysts and publications, as well as our estimates. Except where otherwise noted, our estimates are derived from publicly available information released by third party sources, as well as data from our internal research, and are based on such data and our knowledge of our industry, which we believe to be reasonable. Other than the Frost & Sullivan statement that in 2003, we had the leading market share in China by units sold, and the second leading market share for patient monitors in China based on revenues, which comes from a report that we commissioned, none of the independent industry publication market data cited in this prospectus were prepared on our or our affiliates behalf.

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OUR CORPORATE STRUCTURE

We are a Cayman Islands holding company and conduct substantially all of our business through our consolidated subsidiary Shenzhen Mindray. We own approximately 99.9% of the equity of Shenzhen Mindray through two British Virgin Islands, or BVI, non-operating holding companies. Our corporate structure reflects common practice for companies with operations in several different countries where separate legal entities are often required or advisable for purposes of obtaining relevant operating licenses in such jurisdictions. Our holding company structure allows our management and shareholders to take significant corporate actions without having to submit these actions for approval or consent of the administrative agencies in every country where we have significant operations. Moreover, our choice of the Cayman Islands as the jurisdiction of incorporation of our ultimate holding company was motivated in part by its relatively well-developed body of corporate law, various tax and other incentives, and its wide acceptance among internationally recognized securities exchanges as a jurisdiction for companies seeking to list securities. For example, it is possible for a Cayman Islands company to list its securities on the Hong Kong Stock Exchange as well as in the United States. We hold our interests in Shenzhen Mindray through two British Virgin Islands holding companies as a matter of historical legacy. Many of the former shareholders of Shenzhen Mindray, from whom we acquired equity interests, chose to incorporate in the British Virgin Islands in part because of the advantageous tax treatments they received. We acquired these equity interests by consolidating the holdings of various British Virgin Islands entities into these two entities because this form of transaction was convenient and effective under British Virgin Islands law.

We commenced operations in 1991 through our predecessor entity and established Shenzhen Mindray, our current operating company in 1999. To enable us to raise equity capital from investors outside of China, we set up a holding company structure by establishing our current Cayman Islands holding company, Mindray International, on June 10, 2005. Mindray International became our holding company in September 2005 when the majority of our existing shareholders, transferred through a series of linked transactions, approximately 91.1% of the equity of Shenzhen Mindray to Mindray International. All such linked transactions involving transfer of shares in Shenzhen Mindray for cash were subject to the approval of the PRC Ministry of Commerce and its appropriate local counterpart, as well as registration with the PRC State Administration of Industry and Commerce and its appropriate local counterpart, and we have obtained those required approvals and registration. There were no conditions or contingencies upon which these approvals were based. As a result of this share transfer, our holding company Mindray International, through two BVI companies, Greatest Elite Limited, or Greatest Elite, and Giant Glory Investments Limited, or Giant Glory, which respectively held approximately 46.0% and 45.1% of the equity of Shenzhen Mindray, controlled approximately 91.1% of Shenzhen Mindray, with the remaining approximately 8.9% distributed among four other shareholders. In May 2006, we changed our name to Mindray Medical International Limited.

In April 2006, Mindray International injected additional capital of RMB174.2 million to subscribe for an additional 99 million shares of Shenzhen Mindray. In addition, we issued to offshore shareholders of Shenzhen Mindray 7,649,646 shares of our company, approximately 8.9% of our share capital, in exchange for all outstanding shares of Shenzhen Mindray not already owned by Mindray International except for 0.0002% of the enlarged share capital of Shenzhen Mindray consisting of 300 shares held by three PRC shareholders who remain as shareholders in order to fulfill corporate requirements under PRC law that a company limited by shares have at least two shareholders, at least one of which should be a PRC domestic shareholder. These 300 shares entitle their owners to identical economic and voting rights as the shares held by our subsidiaries, Giant Glory and Greatest Elite. All other Shenzhen Mindray shares are held by Giant Glory and Greatest Elite, which now collectively hold approximately 99.9% of the equity of Shenzhen Mindray.

Shenzhen Mindray has one subsidiary, Beijing Shen Mindray Medical Electronics Technology Research Institute Co., Ltd., or Beijing Mindray, in which Shenzhen Mindray has a 99.9% equity interest and through which we conduct some of our research and development activities. At the time that Beijing Mindray was incorporated, the PRC Company Law required that any domestic limited liability company have at least two separate legal or natural persons as equity holders. We satisfied this requirement by establishing Beijing Mindray with a principal shareholder and two additional shareholders with nominal equity holdings in the

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entity. The remaining 0.1% equity interest in Beijing Mindray is held in equal 0.05% interests by Mr. Xu Hang and Mr. Li Xiting, our co-CEOs and entitles its owners to identical economic and voting rights as the equity interest held by Shenzhen Mindray. Mindray International has four subsidiaries, two of which are Greatest Elite and Giant Glory that hold only the equity of Shenzhen Mindray. The other two Mindray International subsidiaries, Mindray (UK) Limited, organized under the laws of the United Kingdom, and Mindray USA Corp., incorporated in the State of Massachusetts in the United States, have been established to support our sales in Europe and the United States.

The diagram below illustrates our current corporate structure and the place of formation and affiliation of each of our subsidiaries as of the date of this prospectus:

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$129 million, or approximately US$154 million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts, commissions and the estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

We currently intend to use the net proceeds we receive from this offering as follows:

- approximately US$75 million for construction of a new headquarters building and expansion of our manufacturing, assembly and warehouse facilities, including the potential relocation into a new facility in Shenzhen, China; and

- the balance to fund working capital and for other general corporate purposes.

We may use proceeds to fund through capital contributions Shenzhen Mindray s operations in the future if it requires additional cash resources. Any capital contributions must be approved by the PRC Ministry of Commerce. We may not be able to obtain these government registrations or approvals on a timely basis, if at all.

The foregoing represents our intentions with respect of the use and allocation of the net proceeds from this offering based upon our present plans and business conditions. Our management, however, will have significant flexibility and discretion in applying the net proceeds from the offering. Unforeseen events or changed business conditions may result in application of the proceeds from this offering in a manner other than as described in this prospectus.

Pending their use, we intend to invest the net proceeds from this offering in short-term, interest bearing debt instruments or bank deposits. These investments may have a material adverse effect on the US federal income tax consequences of your investment in our ADSs. In particular, it is possible that we may become a passive foreign investment company for United States federal income tax purposes, which could result in negative tax consequences for you. See Risk Factors Risks Relating to Our Business and Industry We may become a passive foreign investment company, or PFIC, which could result in adverse United States federal income tax consequences to US holders and Taxation United States Federal Income Taxation US Holders Passive Foreign Investment Company.

We will not use the proceeds from the sale of any ADSs, directly or indirectly, for any purpose or activity in connection with business, operations or contracts with the governments or with any person or entity of the Cuba, Sudan, North Korea, Iran, Syria and Myanmar, or any person or entity that is subject to sanctions under any program administered by OFAC.

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DIVIDEND POLICY

Beginning in 2007, we intend to pay annual cash dividends in an amount equal to an aggregate of approximately 20% of our annual net income each year. Cash dividends, if any, will be at the discretion of our board of directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial conditions, shareholders interests, contractual restrictions and other factors as our board of directors may deem relevant. We can pay dividends only out of profits or other distributable reserves.

In addition, our ability to pay dividends depends substantially on the payment of dividends to us by our operating subsidiary, Shenzhen Mindray. Shenzhen Mindray may pay dividends only out of its accumulated distributable profits, if any, determined in accordance with its articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, Shenzhen Mindray is required to provide 10% of its after-tax profits to a statutory common reserve fund. When the aggregate balance in the statutory common reserve fund (also referred to as statutory surplus reserve) is 50% or more of the subsidiaries registered capital, our subsidiaries need not make any further allocations to the fund. Shenzhen Mindray s registered capital is RMB185 million. Allocations to these statutory reserves can only be used for specific purposes and are not distributable to us in the form of loans, advances, or cash dividends. The specific purposes for which statutory common reserve funds can be used include provision of a source of reserve funds to make up deficits in periods in which Shenzhen Mindray has net losses, expansion of production and operations of Shenzhen Mindray, or for conversion into additional working capital in periods in which Shenzhen Mindray does not have a deficit. Furthermore, if Shenzhen Mindray incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us. Any limitation on the payment of dividends by our subsidiary could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends and otherwise fund and conduct our businesses.

We paid cash dividends of RMB17.2 million, RMB86.0 million, RMB206.4 million (US$25.8 million) and RMB323.5 million (US$40.5 million), in 2003, 2004, 2005 and the six months ended June 30, 2006, respectively. See Managements Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Activities.

Holders of ADSs will be entitled to receive dividends, subject to the terms of the deposit agreement, to the same extent as holders of our Class A ordinary shares, less the fees and expenses payable under the deposit agreement. Cash dividends will be paid by the depositary to holders of ADSs in US dollars. Other distributions, if any, will be paid by the depositary to holders of our ADSs in any means it deems legal, fair and practical. See Description of American Depositary Shares Dividends and Other Distributions.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2006:

- on an actual basis;
- on a pro forma basis, to reflect the automatic conversion of all 8,975,105 of our outstanding convertible redeemable preferred shares into 8,975,105 Class A ordinary shares upon completion of this offering and the re-classification of our ordinary shares into Class A and Class B ordinary shares; and
- on a pro forma as adjusted basis to give effect to (1) the conversion of all of our outstanding convertible redeemable preferred shares and (2) the issuance and sale of 10,643,000 ADSs we are offering at an initial public offering price of US$13.50 per ADS, after deducting underwriting discounts, commissions and estimated offering expenses payable by us.

You should read this table in conjunction with Selected Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2006					
	Actual	Actual	Pro Forma	Pro Forma	Pro Forma as Adjusted	Pro Forma as Adjusted
	RMB	US$	RMB	US$	RMB	US$
	(In thousands, except for share data)					
Total debt						
Minority interests	10	1	10	1	10	1
Mezzanine equity						
Convertible redeemable preferred shares (HK$0.001 par value: 1,000,000,000 shares authorized and 8,975,105 shares issued and outstanding, actual; none pro forma and pro forma as adjusted)	289,867	36,259				
Shareholders equity						
Ordinary shares (HK$0.001 par value: 5,000,000,000 shares authorized and 84,099,572 shares issued and outstanding, actual; none pro forma and pro forma as adjusted)	88	11				
Class A ordinary shares (HK$0.001 par value: no shares authorized and no			49	6	60	8

shares issued and outstanding, actual; 4,000,000,000 authorized and 46,646,767 and 57,289,767 shares issued and outstanding pro forma and pro forma as adjusted, respectively)						
Class B ordinary shares (HK$0.001 par value: no shares authorized and no shares issued and outstanding, actual; 1,000,000,000 authorized and 46,437,910 shares issued and outstanding pro forma and pro forma as adjusted)			48	6	48	6
Additional paid-in capital	402,123	50,301	691,981	86,559	1,725,767	215,875
Retained earnings	67,028	8,385	67,028	8,385	67,028	8,385
Total shareholders equity	469,239	58,697	759,106	94,956	1,792,903	224,274
Total capitalization	759,116	94,957	759,116	94,957	1,792,913	224,275

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DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the initial public offering price per Class A ordinary share underlying the ADSs substantially exceeding the book value per Class A ordinary share attributable to our presently outstanding ordinary shares.

Our net tangible book value as of June 30, 2006 was approximately RMB190 million (US$24 million), or RMB2.25 (US$0.28) per ordinary share outstanding at that date, and RMB2.25 (US$0.28) per ADS. Net tangible book value is determined by subtracting the value of our intangible assets and total liabilities from our total assets. Dilution is determined by subtracting net tangible book value per ordinary share, after giving effect to the conversion of all outstanding convertible redeemable preferred shares into Class A ordinary shares upon completion of this offering, from the initial public offering price per ordinary share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

Without taking into account any other changes in net tangible book value after June 30, 2006, other than to give effect to our sale of the 10,643,000 ADSs offered in this offering at the initial public offering price of US$13.50 per ADS, with estimated net proceeds of US$129.3 million after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value at June 30, 2006 would have been RMB1,223.4 million (US$153.0 million), or RMB11.80 (US$1.48) per outstanding ordinary share, including ordinary shares underlying our outstanding ADSs, and RMB11.80 (US$1.48) per ADS. This represents an immediate increase in pro forma net tangible book value of RMB9.54 (US$1.19) per ordinary share, or RMB9.54 (US$1.19) per ADS, to existing shareholders and an immediate dilution in pro forma net tangible book value of RMB96.13 (US$12.02) per ordinary share, or RMB96.13 (US$12.02) per ADS, to new investors in this offering.

The following table illustrates this per ordinary share dilution:

	RMB	US$
Initial public offering price per ordinary share	107.92	13.50
Net tangible book value per ordinary share at June 30, 2006	2.25	0.28
Increase in net tangible book value per ordinary share attributable to this offering	9.54	1.19
Increase in net tangible book value per ordinary share attributable to the underwriters exercising in full of their option to purchase additional shares	1.68	0.21
Net tangible book value per ordinary share after the offering	11.80	1.48
Pro forma net tangible book value per ordinary share after the offering if underwriters exercising in full their option to purchase additional shares	13.47	1.69
Dilution in net tangible book value per ordinary share to new investors in the offering	96.13	12.02
Dilution in net tangible book value per ADS to new investors in the offering	96.13	12.02

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The following table summarizes the number of ordinary shares purchased from us as of June 30, 2006, the total consideration paid to us and the average price per ordinary share/ADS paid by existing investors and by new investors purchasing Class A ordinary shares evidenced by ADSs in this offering at the initial public offering price of US$13.50 per ADS giving effect to underwriting discounts and commissions and other estimated offering expenses payable by us.

	Ordinary Shares Purchased		Total Consideration		Average Price per Class A Ordinary Share Equivalent	Average Price per ADS Equivalent
	Number	Percent	Amount	Percent		
			(000)			
Existing shareholders	93,084,677	89.7%	US$ 23,716	15.5%	US$ 0.25	US$ 0.25
New investors	10,643,000	10.3%	129,317	84.5%	US$12.15	US$12.15
Total	103,727,677	100.0%	US$153,033	100.0%		

The foregoing discussion and tables do not include the impact of assuming the exercise of the 6,928,000 share options outstanding as of June 30, 2006, each with an exercise price of US$5.00. In addition, on September 8, 2006, we granted 2,994,300 share options each with an exercise price of US$11.00 per share and 10,000 restricted shares issued under our 2006 Share Incentive Plan.

If the underwriters exercise in full their option to purchase additional shares, our existing shareholders would own approximately 88% and our new investors would own approximately 12% of the total number of our ordinary shares outstanding after this offering.

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EXCHANGE RATES

The following table sets forth information concerning exchange rates between the Renminbi and the US dollar for the periods indicated.

	Renminbi per US Dollar Noon Buying Rate			
	AVERAGE	HIGH	LOW	PERIOD-END
2001	8.2770	8.2786	8.2676	8.2766
2002	8.2770	8.2800	8.2669	8.2800
2003	8.2770	8.2800	8.2272	8.2769
2004	8.2768	8.2774	8.2764	8.2765
2005	8.1940	8.2765	8.0702	8.0702
2006				
March	8.0350	8.0505	8.0167	8.0167
April	8.0143	8.0248	8.0040	8.0165
May	8.0131	8.0300	8.0005	8.0215
June	8.0042	8.0225	7.9943	7.9943
July	7.9897	8.0018	7.9690	7.9690
August	7.9722	8.0000	7.9538	7.9538
September (through September 25, 2006)	7.9408	7.9545	7.9195	7.9212

Source: Federal Reserve Bank of New York

On September 25, 2006, the noon buying rate was RMB7.9212 to US$1.00.

We publish our financial statements in Renminbi. This prospectus contains translations of Renminbi amounts into US dollars at specified rates solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to US dollars as of and for the year ended December 31, 2005 and six months ended June 30, 2006 were made at the noon buying rate in The City of New York for cable transfers in Renminbi per US dollar as certified for customs purposes by the Federal Reserve Bank of New York, as of June 30, 2006, which was RMB7.9943 to US$1.00. No representation is made that the Renminbi amounts referred to in this prospectus could have been or could be converted into US dollars at any particular rate or at all.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information for the periods and as of the dates indicated should be read in conjunction with our financial statements and the accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, both of which are located elsewhere in this prospectus.

The selected consolidated balance sheet data as of December 31, 2003 were derived from our audited consolidated financial statements that are not included in this prospectus. The selected consolidated financial data presented below as of December 31, 2004 and 2005 and for the three years ended December 31, 2003, 2004 and 2005 are derived from our audited consolidated financial statements included elsewhere in this prospectus. Our audited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or US GAAP, and have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm. The report of Deloitte Touche Tohmatsu CPA Ltd. on those consolidated financial statements is included elsewhere in this prospectus.

The selected consolidated financial data as of and for the six months ended June 30, 2005 and 2006 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the full year. In our opinion, all adjustments necessary for a fair presentation of the financial data for the six months ended June 30, 2006 are contained in the financial statements that are included elsewhere in this prospectus.

The selected historical statement of operations data for the years ended December 31, 2001 and 2002 and the selected historical balance sheet data as of December 31, 2001 and 2002 have been derived from our unaudited consolidated financial statements that are not included in this prospectus.

Our historical results for any prior period are not necessarily indicative of results to be expected for any future period.

	For the Year Ended December 31,						For the Six Months Ended June 30,		
	2001	2002	2003	2004	2005	2005	2005	2006	2006
	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands, except share and per share data)								
Statement of Operations Data:									
Net revenues	201,798	306,592	460,254	697,837	1,078,573	134,918	436,776	676,764	84,656
Cost of revenues[(1)]	(95,472)	(141,004)	(210,565)	(319,013)	(493,326)	(61,710)	(194,892)	(307,330)	(38,444)
Gross profit	106,326	165,588	249,689	378,824	585,247	73,208	241,884	369,434	46,212
Operating expenses:									
Selling expenses[(1)]	(30,550)	(43,567)	(61,322)	(92,177)	(146,499)	(18,325)	(69,427)	(99,975)	(12,506)
General and administrative expenses[(1)]	(16,266)	(23,497)	(35,808)	(32,340)	(112,082)	(14,020)	(37,750)	(24,865)	(3,110)
Research and development expenses[(1)]	(13,249)	(24,797)	(39,781)	(61,604)	(106,147)	(13,278)	(48,146)	(66,678)	(8,341)

Operating income	46,261	73,726	112,778	192,703	220,519	27,585	86,561	177,916	22,255
Other income, net	1,231	851	1,918	39	9,210	1,152	707	239	30
Interest income	1,413	1,322	531	3,087	3,854	482	611	6,543	819
Interest expense	(2,577)	(3,746)	(2,815)	(3,324)	(2,019)	(253)	(1,201)	(279)	(35)
Income before income taxes and minority interests	46,328	72,153	112,412	192,505	231,564	28,966	86,678	184,419	23,069
Provision for income taxes	(3,443)	(4,817)	(7,624)	(10,758)	(18,066)	(2,260)	(6,449)	(13,191)	(1,650)
Minority interests					(8,409)	(1,052)		(6,455)	(808)
Net income	42,885	67,335	104,788	181,747	205,089	25,654	80,229	164,773	20,611

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	For the Year Ended December 31,						For the Six Months Ended June 30		
	2001	2002	2003	2004	2005	2005	2005	2006	2006
	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands, except share and per share data)								
med dend									
nce									
ertible emable erred es at ount					(14,031)	(1,755)			
me outable nary eholders	42,885	67,335	104,788	181,747	191,058	23,899	80,229	164,773	20,
c ings share	RMB0.50	RMB0.78	RMB 1.22	RMB 2.11	RMB 2.31	US$ 0.29	RMB 0.93	RMB 2.10	US$
ted ings share	RMB0.50	RMB0.78	RMB 1.22	RMB 2.11	RMB 2.31	US$ 0.29	RMB 0.93	RMB1.86	US$
es in putation									
ic nings share	86,000,000	86,000,000	86,000,000	86,000,000	82,790,427	82,790,427	86,000,000	78,490,233	78,490,
uted nings share	86,000,000	86,000,000	86,000,000	86,000,000	82,790,427	82,790,427	86,000,000	88,467,984	88,467,
dends nary e		RMB0.15	RMB0.20	RMB1.00	RMB2.40	US$ 0.30	RMB2.40	RMB3.60	US$

	As of December 31,						For the Six Months Ended June 30,		
	2001	2002	2003	2004	2005	2005	2005	2006	2006
	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands)								
Balance Sheet Data:									
Cash and cash equivalents	76,666	53,961	130,297	178,556	446,143	55,808	107,610	212,875	26,628
Working capital[(2)]	82,988	98,909	138,065	219,486	468,831	58,647	93,454	204,554	25,587
Total assets	211,341	245,946	384,674	483,053	840,835	105,179	476,452	1,021,911	127,830
Total liabilities	102,625	82,794	133,934	136,556	206,281	25,802	229,763	262,795	32,873
Minority interests				10	37,596	4,703	10	10	1
Mezzanine equity					325,389	40,703		289,867	36,259
Total shareholders equity	108,716	163,151	250,740	346,487	271,569	33,971	246,679	469,239	58,697
Total liabilities and shareholders equity	211,341	245,946	384,674	483,053	840,835	105,179	476,452	1,021,911	127,830

(1) Share-based compensation charges incurred during the period related to:

	For the Year Ended December 31,						For the Six Months Ended June 30,		
	2001	2002	2003	2004	2005	2005	2005	2006	2006
	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB	US$
	(In thousands)								
Cost of revenues					268	34	268	236	30
Selling expenses					8,576	1,073	8,576	3,337	417
General and administrative expenses					59,014	7,382	14,420	4,483	561
Research and development expenses					3,071	384	3,071	2,130	266

(2) Working capital is equal to current assets less current liabilities.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled Selected Consolidated Financial Information and our audited consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these 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. We also have a significant and growing presence outside of China, primarily in other regions of Asia and in Europe. We offer a broad range of more than 40 products across our three primary business segments: patient monitoring devices, diagnostic laboratory instruments and ultrasound imaging systems.

We sell our products primarily to distributors. In the six months ended June 30, 2006, distributor sales accounted for 78.6% of our net revenues. We believe we have one of the largest distribution, sales and service network for medical devices in China, with over 1,950 distributors and 500 direct sales and sales support personnel, and we sell our products internationally through more than 660 distributors and 75 sales and sales support personnel. We also sell our products directly to hospitals, clinics, government health bureaus, and to ODM and OEM customers. To date, we have sold our products to approximately 25,000 hospitals and clinics in China and sold over 170,000 medical devices worldwide, both through our distributors and direct sales.

Our net revenues increased from RMB460.3 million in 2003 to RMB697.8 million in 2004 and to RMB1,078.6 million (US$134.9 million) in 2005, representing a compound annual growth rate of 53.1%. Our net revenues grew from RMB436.8 million in the six months ended June 30, 2005 to RMB676.8 million (US$84.7 million) in the same period in 2006, a 54.9% increase. These significant increases reflect our success in expanding our product lines to include more advanced products and our increasing market penetration, particularly internationally. Our net revenues outside of China from 2003 to 2005 grew at a faster rate than net revenues in China in both real and percentage terms, increasing from RMB113.5 million, or 24.7% of our net revenues in 2003, to RMB238.2 million, or 34.1% of our net revenues in 2004, and to RMB451.6 million (US$56.5 million), or 41.9% of our net revenues in 2005, representing a compound annual growth rate of 99.5%. In the six months ended June 30, 2006, our net revenues outside of China grew to RMB295.8 million (US$37.0 million), or 43.7% of our net revenue, from 38.9% in the same period in 2005, a 74.3% increase. International net revenue growth has been augmented by our expansion of international sales coverage from 67 countries in 2003, to 91 countries in 2004 and to more than 120 countries in 2005, as well as by our increased penetration in existing international markets through our enhanced distributor network, and the introduction of new products in the international markets. As discussed further below, changes in hospitals purchasing patterns as a result of changes in PRC anti-bribery laws and the enforcement thereof and delays in launching certain new products resulted from the changes in the SFDA approval process have had, and may continue to have, an adverse effect on our net revenues.

We continually seek to broaden our market reach by introducing new and more advanced products and new product lines that address different end-user segments. Between 2003 and 2005, we introduced more than 25 new products. We have introduced four new products so far this year, including our first color Doppler ultrasound imaging system, the DC-6, our first five-part hematology analyzer, the BC-5500, and our first anesthesia monitor, and we plan to introduce at least three additional new products by the end of 2006.

We increased our annual investment in research and development as a percentage of net revenues from 8.6% in 2003, to 9.8% in 2005 and to 9.9% in the six months ended June 30, 2006. Our investment in research and development in 2005 and the six months ended June 30, 2006 is consistent with our plan to annually invest approximately 10% of our net revenues in research and development activities. This level of investment demonstrates our commitment to creating and maintaining what we believe is the largest research

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and development team of any medical device manufacturer in China, with more than 570 engineers on our staff, and continuing to develop and commercialize new and more advanced products.

Pricing

To gain market penetration, we price our products at levels that we believe offer attractive economic returns to our distributors, taking into account the prices of competing products and our gross margins. We do not typically make pricing adjustments based on whether a distributor is located in or out of China. We believe that we offer products of comparable quality to our international competitors at substantially lower prices.

In addition to the sales to distributors, we also sell our products directly to hospitals and clinics in China. We also sell directly to government health bureaus in China by participating in competitive bidding and tenders run by government bidding agents to procure large volume purchase contracts. Although the prices of products sold to hospitals, clinics and government health bureaus in China tend to be slightly lower than those of products sold to distributors, these sales represent an additional source of income for us.

Through our continuous efforts to improve manufacturing efficiencies and reduce our raw material costs, we have been able to reduce our production costs, which contributed to our ability to decrease the average sales prices of our products in recent years. We believe that our ability to offer price reductions without a significant impact to our gross margins allows us to generate increased sales volume and gross profits, and helps alleviate any pricing pressures we may face.

Revenues

Our net revenues represent our total revenues from operations, less value-added taxes, plus a 14% refund for value-added taxes on sales of our software that is embedded in our products. Beginning in 2006, our embedded software is no longer eligible for this value-added tax refund, due to changes in the types of software that qualify for this tax refund. See Taxes and Incentives.

We use a distribution network because we believe it is the most cost-effective way to reach a broad end-user base. Our sales are generally made on a purchase order basis, rather than under any long-term commitments, and we do not currently have long-term contracts with any of our distributor customers. We rely on sales to distributors for a majority of our net revenues. In 2005 and the six months ended June 30, 2006, sales to distributors accounted for 74.0% and 78.9% of our sales in China and 66.9% and 78.3% of our international sales, respectively.

Our customer base is widely dispersed on both a geographic and revenues basis. Our largest customer in each of the years ended 2003, 2004 and 2005 and the six months ended June 30, 2006 was an international ODM customer that accounted for 4.0%, 7.3%, 6.2% and 2.7% of our net revenues, respectively. No other customer accounted for more than 5% of our net revenues in 2003, 2004, 2005 or the six months ended June 30, 2006.

We primarily derive revenues from three business segments: patient monitoring devices, diagnostic laboratory instruments and ultrasound imaging systems. These business segments accounted for 40.5%, 28.4% and 29.9% of our total net segment revenues in the six months ended June 30, 2006, respectively. The accounting policies underlying the net revenues information provided for our business segments are based on accounting principles applicable under PRC GAAP that are different from US GAAP.

Patient Monitoring Devices. We derive revenues for our patient monitoring devices segment from sales of patient monitors and related accessories. Our patient monitoring devices track the physiological parameters of patients, such as heart rate, blood pressure, respiration and temperature. Our patient monitoring devices segment is our largest business segment and has the most extensive market penetration of our three segments both domestically and internationally. We expect to continue to penetrate large-sized hospitals in China and international markets with the introduction of additional advanced products in this business segment.

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Diagnostic Laboratory Instruments. We derive revenues for our diagnostic laboratory instruments segment from sales of diagnostic laboratory instruments and related reagents. Our diagnostic laboratory instruments provide data and analysis on blood, urine and other bodily fluid samples for clinical diagnosis and treatment. Our current diagnostic laboratory instruments portfolio consists of two primary product categories: hematology analyzers and biochemistry analyzers. We also sell reagents for use with our products in both of these categories. A reagent is used each time an analysis is performed, generating a recurring revenue stream for us. Diagnostic laboratory instrument sales accounted for 87.4% and 86.3% of the segment s net revenues in 2005 and the six months ended June 30, 2006, respectively, while reagent sales accounted for 11.2% and 10.2% of the segment s net revenues in the same periods, respectively with the balance being revenues generated from related accessories. We anticipate that, on a percentage basis, revenues from the sale of reagents will grow more quickly than revenues from the sale of diagnostic laboratory instruments, as our installed base of diagnostic laboratory instruments grows and we increase the number of reagents that we offer and expand reagent sales internationally. We anticipate that we will continue to grow at a rapid pace as we further penetrate the diagnostic laboratory instruments market through the introduction of new advanced product offerings, such as our five-part hematology analyzer, and the expansion of the number of reagents we sell to our customers.

Ultrasound Imaging Systems. We derive revenues for our ultrasound imaging systems segment from sales of ultrasound devices and related accessories. Our ultrasound imaging systems use computer-managed sound waves to generate real-time images of anatomical movement and blood flow, and are commonly employed in medical fields such as urology, gynecology, obstetrics and cardiology. We anticipate that net revenues in our ultrasound imaging systems segment will continue to grow more quickly than net segment revenues, as we further penetrate the ultrasound imaging systems market and as we expand our product offerings, including our recently introduced color Doppler ultrasound imaging system.

In 2005 and the six months ended June 30, 2006, our best-selling product across our three business segments, the PM-9000 patient monitoring device, accounted for 20.5% and 13.3% of our net segment revenues, respectively. No other product accounted for more than 8% of our net segment revenues in either period. Although our best selling products change over time, we expect that a small number of key products will continue to account for a substantial portion of our revenues. See Risk Factors Risks Relating to Our Business and Industry We generate a substantial portion of our revenues from a small number of products, and a reduction in demand in any of these products could materially and adversely affect our financial condition and results of operations.

China has an ongoing program to reduce improper payments received by hospital administrators and doctors in connection with the purchase of pharmaceutical products and medical devices. In June 2006, PRC commercial anti-bribery laws were modified to expand and clarify the scope of persons potentially subject to prosecution. For example, it is now easier to prosecute hospital administrators and doctors for illegal activities under the commercial anti-bribery laws. We maintain a strict policy prohibiting our employees and distributors from engaging in improper activities in connection with the sale of our products, and we believe that more strict enforcement is beneficial for our industry and our business in the long term. We believe that our PRC customers have modified their purchasing patterns in response to the statutory modifications and increased enforcement activities. As a result, we expect our revenues will be adversely impacted in the third and possibly the fourth quarters of 2006 and possibly longer.

In May 2006, the SFDA changed the approval process for new medical devices by adding a new medical equipment safety standard, which we estimate increased by three months the typical time period required to obtain approval for new medical devices. This change delayed our planned introduction during the third quarter of 2006 of three new products, including our five-part hematology analyzer, color ultrasound imaging system and our Beneview patient monitor.

As a result of the events described above, our operating results in the six months ended June 30, 2006 may not be indicative of our operating results for the full year of 2006.

Our ability to grow our revenues depends on our ability to increase the market penetration of our existing products and on our ability to successfully identify, develop, introduce and commercialize, in a

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timely and cost-effective manner, new and upgraded products. We generally choose to devote resources to product development efforts that we believe are commercially feasible, can generate significant revenues and margins and can be introduced into the market in the near term.

In any period, a number of factors will impact our net revenues, including for example:

- the level of acceptance of our products among hospitals and other healthcare facilities;
- our ability to attract and retain distributors;
- new product introductions by us and our competitors;
- our ability to maintain prices for our products at levels that provide favorable margins; and
- our ability to expand into new international markets.

For a detailed discussion of the factors that may cause our net revenues to fluctuate, see Risk Factors Risks Relating to Our Business and Industry Our quarterly revenues and operating results are difficult to predict and could fall below investor expectations, which could cause the trading price of our ADSs to decline.

Cost of Revenues

Cost of revenues includes our direct costs to manufacture our products, including component and material costs, salaries and related personnel expenses, depreciation costs of plant and equipment used for production purposes, shipping and handling costs and provisional cost of warranty-based maintenance, repair services, and the cost of providing sales incentives.

Product mix is the most significant factor in determining our cost of revenues as a percentage of our net revenues. Cost of revenues has historically been highest in our ultrasound imaging systems segment, which was our fastest-growing segment from 2003 through the six months ended June 30, 2006. See Comparison of Six Months Ended June 30, 2005 and June 30, 2006 Gross Profit and Gross Margin and Comparison of Years Ended December 31, 2003, December 31, 2004 and December 31, 2005 Gross Profit and Gross Margin. We expect our ultrasound imaging systems segment to grow more quickly, as a percentage of net revenues, than our revenues overall, which could negatively impact our average gross margins. However, we have recently been able to improve our cost of revenues for our ultrasound imaging systems, resulting in gross margins of these products in the six months ended June 30, 2006 being comparable to those of our diagnostic laboratory instruments.

The direct costs of manufacturing a new product are generally highest when a new product is first introduced. In periods when we introduce a greater than average number of new products, our cost of revenues as a percentage of net revenues tends to be higher due to start-up costs associated with manufacturing a new product and generally higher raw material and component costs due to lower initial production volumes. As production volumes increase, we typically improve our manufacturing efficiencies and are able to strengthen our purchasing power by buying raw materials and components in greater quantities. In addition, we are able to lower our raw material and component costs by identifying lower-cost raw materials and components. Moreover, when production volumes become sufficiently large, we often gain further cost efficiencies by producing additional components in-house.

We currently have a relatively low cost base compared to medical device companies in more developed countries because we source a significant portion of our raw materials and components and manufacture all of our products in China. Historically, we have been able to reduce our raw material and component costs as we increase purchase volumes and make improvements in manufacturing processes. We have typically passed the majority of these cost savings on to our customers by offering them lower prices while maintaining targeted gross margin levels. However, we believe that, in the future, these reductions will be increasingly offset by rising costs of raw materials, components and wages in China resulting from China s further economic development. In particular, we expect that the costs of raw materials will increase in the near term. In addition, as we focus on more advanced products and new product lines, we may find it necessary to use

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higher-cost raw materials and components that may not be cheaper in China. We plan to mitigate future increases in raw material and component costs by using more common resources across our product lines, increasing in-house manufacture of components and adopting more uniform manufacturing and assembly practices.

Gross Profit and Gross Margin

Gross profit is equal to net revenues less cost of revenues. Gross margin is equal to gross profit divided by net revenues. Changes in our gross margins from period to period are primarily driven by changes in product mix. See Cost of Revenues. Between 2003 and 2005 and the six months ended June 30, 2006, we were able to maintain gross margins between approximately 50% and 60% across our business segments. We expect this trend to continue because we generally seek to develop only those products that we believe can provide us with an average gross margin of at least 50% over their life cycles. Gross margins for domestic and international sales tend to be substantially similar. Although the average sales prices of each of our products will generally decrease over time, these decreases do not tend to impact our gross margins negatively because in most instances they result from our ability to reduce our cost of revenues and our strategic decision to pass on these cost savings to our customers.

Operating Expenses

Our operating expenses consist of selling expenses, general and administrative expenses, research and development expenses, and employee share-based compensation expenses.

Selling Expenses

Selling expenses consist primarily of compensation and benefits for our sales and marketing staff, expenses for promotional, advertising, travel and entertainment activities, lease payments for our sales offices, and depreciation expenses related to equipment used for sales and marketing activities.

Between 2003 and 2005 and the six months ended June 30, 2006, selling expenses increased primarily as a result of increased headcount and increased international sales and marketing activities. Selling expenses as a percentage of net revenues decreased from 2003 to 2004, reflecting improved selling efficiencies, and increased in 2005 primarily as a result of employee share-based compensation expenses attributable to the contribution of shares to certain employees by our shareholders. Selling expenses as a percentage of net revenues decreased in the six months ended June 30, 2006 compared to the same period in 2005, principally as a result of a decrease in employee share-based compensation expenses. In the near term, we expect that certain components of our selling expenses will increase as we open new international sales and service offices to increase our market penetration in selected international markets. We presently operate four international sales and service offices and expect to open three more in the next 12 months.

Similar to most China-based manufacturers of medical devices, we primarily sell our products to distributors. Consequently, our sales and marketing expenses as a percentage of net revenues are significantly lower than manufacturers of medical devices that primarily sell their products directly to end-users. While we intend to continue to sell our products primarily to distributors, we also seek to build recognition of our brand through increasing marketing activities, which may increase our selling expenses in the future.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation and benefits for our general management, finance and administrative staff, depreciation and amortization with respect to equipment used for general corporate purposes, professional advisor fees, lease payments and other expenses incurred in connection with general corporate purposes. We expect that most components of our general and administrative expenses will increase in the future as our business grows and as we incur increased costs related to being a public company. However, as a percentage of net revenues, we expect that general and administrative expenses will decrease in 2006 as compared to 2005 due primarily to lower share-based

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compensation expenses and improved operating leverage attributable to growing our staff more slowly than our net revenues. See Employee Share-Based Compensation Expenses.

Research and Development Expenses

Research and development expenses consist primarily of costs associated with the design, development and testing of our products. Among other things, these costs include compensation and benefits for our research and development staff, expenditures for purchases of supplies, depreciation expenses related to equipment used for research and development activities, and other relevant costs. Research and development expenses as a percentage of net revenues increased from 8.6% in 2003 to 9.8% in 2005 and to 9.9% in the six months ended June 30, 2006. Our investment in research and development in 2005 and in the six months ended June 30, 2006 is consistent with our plan to annually invest approximately 10% of our net revenues in research and development activities. This level of investment demonstrates our commitment to creating and maintaining what we believe is the largest research and development team of any medical device manufacturer in China, and continuing to develop and commercialize new and more advanced products.

Employee Share-Based Compensation Expenses

We account for employee share-based compensation expenses based on the fair value of share option grants at the date of grant, and we record employee share-based compensation expense to the extent that the fair value of those grants are determined to be greater than the price paid by the employee.

We did not incur any employee share-based compensation expenses in 2003 or 2004. We incurred three separate employee share-based compensation charges in 2005 totaling RMB70.9 million (US$8.9 million). The first charge, in the amount of RMB26.3 million (US$3.3 million), was recorded in connection with shares granted in 2005 to certain employees by our shareholders in consideration of past and present services to us. The second charge, in the amount of RMB11.6 million (US$1.5 million), was recorded in connection with the issuance of three million of our preferred shares to some of our employees and one non-employee director in exchange for three million of our ordinary shares. The third charge, in the amount of RMB33.0 million (US$4.1 million), related to an earnings adjustment provision entered into between those employees and our preferred shareholders. See notes 2(p) and 9 to our consolidated financial statements included elsewhere in this prospectus. We do not expect any future shareholder contribution of shares as part of any future employee share-based compensation plan.

The table below shows the effect of the 2005 and 2006 share-based compensation charges on our operating expense line items:

Employee Share-Based Compensation Related to:	**2003**	**2004**	**2005**	**1H2005**	**1H2006**
			(in RMB thousands)		
Cost of revenues			268	268	236
Selling expenses			8,576	8,576	3,337
General and administrative expenses			59,014	14,420	4,483
Research and development expenses			3,071	3,071	2,130

In February 2006, we adopted a new employee share-based compensation plan, pursuant to which certain members of our senior management and certain of our key employees received options to purchase up to 7,033,000 ordinary shares at an exercise price of US$5.00 per ordinary share. These options generally vest over the required service period, with approximately 25% of them vesting on each of January 31, 2007, 2008, 2009 and 2010. These options will also vest only if the option holder is still an employee of our company at the time of the relevant vesting and the individual has met performance criteria at that time. These options will expire on the eighth anniversary of their grant.

We incurred RMB10.2 million (US$1.3 million) in employee share-based compensation expenses in the six months ended June 30, 2006, and expect to incur employee share-based compensation expense in the amount of approximately RMB27.1 million (US$3.4 million) for the year ending December 31, 2006.

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Other Income (Expense)

Other income (expense), is the sum of the line items other income, net plus interest income less interest expense from our consolidated financial statements. Other income, net, has in the past consisted primarily of government subsidies for the development of new high technology medical products and government incentives for making high technology investments in our local region. We do not receive government subsidies or government incentives on a regular basis, and the amounts that we have received in the past have tended to fluctuate significantly. While we intend to continue to apply for government subsidies and government incentives in the future, there can be no guarantee that we will receive any.

Corporate Structure

Our predecessor entity was established and began operations in 1991. Today, we operate through a structure that was implemented in September 2005 under our Cayman Islands holding company Mindray International. We operate our business primarily through our PRC operating subsidiary, Shenzhen Mindray, which was formed in 1999. We conduct some of our research and development activities through Shenzhen Mindray s subsidiary, Beijing Mindray. In 2005, we established two subsidiaries in North America and Europe to support sales and service in those parts of the world.

Mindray International became our holding company on September 26, 2005 when the majority of our equity shareholders transferred approximately 91.1% of the equity of Shenzhen Mindray to Mindray International, through a series of linked transactions. In April 2006, we acquired all remaining shares in Shenzhen Mindray except for 300 shares. As a result, our holding company, Mindray International, now holds approximately 99.9% of the equity of Shenzhen Mindray. See Our Corporate Structure.

Taxes and Incentives

Our company is a tax exempted company incorporated in Cayman Islands and is not subject to taxation under the current Cayman Islands law. Our subsidiaries operating in the PRC are subject to PRC taxes as described below and the subsidiaries incorporated in the BVI are not subject to taxation.

The basic corporate income tax rate for the foreign-invested enterprises in the PRC is currently 33% (30% state tax and 3% local tax). However, as Shenzhen Mindray is a manufacturing enterprise located in Shenzhen special economic zone, the applicable income tax rate is 15% state tax and no local tax. Shenzhen Mindray is entitled to a tax exemption for two years from the year of its first taxable profit and a 50% tax reduction for the third to fifth year (7.5% state tax and nil% local tax). The first profitable year was 1999. Shenzhen Mindray also has been designated as a new and high technology enterprise, and is therefore eligible to receive a special additional corporate income tax holiday which represents a reduction in income tax of 50% resulting in a reduced tax rate of 7.5% for three years beginning in 2004 through 2006. For 2007, we plan to apply for classification of Shenzhen Mindray as a key software company, which would result in the qualification for a reduced corporate income tax rate of 10% for Shenzhen Mindray. Shenzhen Mindray has qualified as a key software enterprise in prior years, but did not apply for this 10% tax rate because its corporate tax rate was lower in those years. In 2007, a 10% corporate income tax rate would be the lowest rate available to Shenzhen Mindray. If Shenzhen Mindray does not qualify for key software enterprise status, it would be subject to a corporate income tax rate of 15%.

Beijing Mindray is entitled to a corporate income tax exemption for three years from its first year of operations and 50% tax reduction for the fourth to sixth year (15% state tax and no local tax).

The additional tax that would otherwise have been payable without corporate income tax preferential treatment totaled RMB7.8 million, RMB10.8 million, RMB18.1 million (US$2.3 million) and RMB13.2 million (US$1.7 million) in 2003, 2004, 2005 and in the six months ended June 30, 2006, respectively, representing a reduction in basic earnings per ordinary share of RMB0.09, RMB0.13, RMB0.22 (US$0.03) and RMB0.17 (US$0.02) in 2003, 2004, 2005 and in the six months ended June 30, 2006, respectively.

Pursuant to a PRC tax policy intended to encourage the development of software and integrated circuit industries, Shenzhen Mindray was previously entitled to a refund of value-added tax paid at a rate of 14% of the sale value of self-developed software that is embedded in our products. The amount of the refund for this value-added tax included in net revenues was RMB18.5 million, RMB24.6 million and RMB32.1 million (US$4.0 million) in 2003, 2004 and 2005, respectively. Beginning in 2006, our embedded self-developed software is no longer eligible for this value-added tax refund due to changes in the types of software that are eligible for this tax refund. In the six months ended June 30, 2006, no value-added tax refunds were refundable on sales made during this period for embedded self-developed software, compared with refunds of RMB13.6 million in the same period of 2005.

We classify value-added tax refunds as Other income under segment reporting and include them in net revenues in our consolidated statement of operations included elsewhere in this prospectus.

Our effective income tax rates in 2003, 2004 and 2005 were 6.8%, 5.6% and 7.8%, respectively. Our effective income tax rates in the six months ended June 30, 2005 and 2006 were 7.4% and 7.2%, respectively.

As a result of the pending lapse of reduced corporate income tax rates for Shenzhen Mindray and Beijing Mindray and the loss of eligibility for value-added tax refunds for embedded, self-developed software, our historical operating results may not be indicative of our operating results for future periods. See Risk Factors Risks Related to Doing Business in China The discontinuation of any of the preferential tax treatments or the financial incentives currently available to us in the PRC could adversely affect our business, financial condition and results of operations.

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Results of Operations

The following table sets forth our condensed consolidated statements of operations by amount and as a percentage of our total net revenues for the periods indicated:

	Year ended December 31,						Six Months ended June 30,				
	2003		2004		2005		2005		2006		
	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	Amount	%
	RMB		RMB		RMB	US$		RMB (Unaudited)		RMB (Unaudited)	US$ (Unaudited)	
	(In thousands, except percentages)											
venues	460,254	100.0%	697,837	100.0%	1,078,573	134,918	100.0%	436,776	100.0%	676,764	84,656	1
f es[1]	(210,565)	45.7	(319,013)	45.7	(493,326)	(61,710)	45.7	(194,892)	44.6	(307,330)	(38,444)	
profit	249,689	54.3	378,824	54.3	585,247	73,208	54.3	241,884	55.4	369,434	46,212	
ing es:												
g ses [1]	(61,322)	13.3	(92,177)	13.2	(146,499)	(18,325)	13.6	(69,427)	15.9	(99,975)	(12,506)	
al and istrative ses[1]	(35,808)	7.8	(32,340)	4.6	(112,082)	(14,020)	10.4	(37,750)	8.6	(24,865)	(3,110)	
rch and opment ses [1]	(39,781)	8.6	(61,604)	8.8	(106,147)	(13,278)	9.8	(48,146)	11.0	(66,678)	(8,341)	