

Continuous Innovation

An Interview with Xu Hang,
Chairman of the Board and Co-Chief Executive Officer,
Mindray Medical International Limited ADR

EDITORS' NOTE Xu Hang has served in his current posts since 1991. He received a bachelor's degree from Tsinghua University Department of Computer Science and Technology, a master's degree in biomedical engineering from Tsinghua University Department of Electrical Engineering, and an EMBA degree from China Europe International Business School. He currently serves as independent director for Wiscom System Co. Ltd., a company listed on the Shenzhen Stock Exchange.



Xu Hang

COMPANY BRIEF Mindray Medical International Limited ADR (ir.mindray.com) is a leading developer, manufacturer, and marketer of medical devices worldwide. They maintain global headquarters in Shenzhen, China, U.S. headquarters in Mahwah, New Jersey, and multiple sales offices in major international markets. From their main manufacturing and engineering base in China and through their worldwide distribution network, they can supply a broad range of products internationally across three primary business segments, comprised of patient monitoring and life support products, in-vitro diagnostic products, and medical imaging systems.

Would you provide an overview of Mindray's business?

Mindray aims to provide the best service to health care institutions and to provide a wide range of high-quality, low-cost products to all markets. Mindray's mission is to improve the health and well-being of the world's people by providing the highest quality medical equipment services at the most competitive prices.

How has the global economic crisis affected business for Mindray?

While the economic crisis has had less of an impact on the medical equipment industry, both the legacy Mindray and newly-acquired Datascope PM product lines are focused on the primary health care market, making the impact quite substantial.

Demand has held up nicely in the Asia-Pacific region. In the U.S., orders have been delayed and cancelled. However, our decline is much lower than international brands, proving that we are gradually taking hold of U.S. market share. In Latin America, Africa, and Asia-Pacific, we are seeing a rebound in demand. In China, the long-term

trend is optimistic based on fast-growing individual health care spending.

In a competitive market, how has Mindray differentiated itself?

In addition to a diversified portfolio, Mindray differentiates itself in the market through its R&D strength and product strategy. The company has more than 1,500 R&D engineers in six centers around the world, holds more than 400 patents, and strives to launch seven to nine new products every year in an effort to continually innovate and meet customer needs.

Mindray also differentiates itself through high performance-to-price ratios for its products. Our cost-down measure, a vertically integrated model, allows the company to enjoy a distinctive advantage in cost savings and quality control. Also, the company's R&D system includes engineers who research how to decrease product cost by utilizing developed, mature, and popular components.

Mindray also has vast domestic and international market coverage. China represents Mindray's largest and most extensive market coverage with over 1,200 exclusive distributors and 30 local offices. Mindray's mid- to low-end products are quite consistent with the government health care reform plan's requirements for devices. Internationally, Mindray also continues to explore and penetrate the local markets by selectively setting up local offices. The U.S. is our single largest market outside China. After acquiring the Datascope patient monitoring device (PMD) business, we are now selling PMD products under three brands, enabling us to effectively compete with both international and domestic brands in the U.S. market. We are also now making great efforts to cross-sell our ultrasound products, which appears to be a large growth opportunity. In addition, we have both a distributor channel and a direct channel. In the U.S., we can now cover not only large hospital units, but also hospitals with less than 300 beds.

What does Mindray do to promote social responsibility?

Mindray aims to align its prosperity and sustainability with the environmental and social standards of the international community. Social consciousness is a large part of our corporate DNA.

Medical facilities in underdeveloped rural areas of China have lagged behind in the rapid modernization brought about by the recent economic boom. In response, the central government is giving top priority to improving the

quality of care in these areas. As a leading medical device company in China, Mindray actively supports the nationwide effort to improve rural health care conditions by designing customized and affordable equipment. In July 2007, Mindray donated medical equipment to Gansu province, and in August, Mindray donated medical devices to 28 small town hospitals in Jilin province. In May 2009, Mindray donated medical devices to 26 town hospitals in the Anhui province.

The devastating earthquake that shook Sichuan in Southwestern China in May 2008 left thousands dead and more injured. Upon hearing of the tragedy, the management team at Mindray quickly offered assistance to the relief effort. Li Xiting and I, as co-chief executives, led company-wide donations of almost \$470,000 worth of high-quality, portable multi-parameter patient monitors. Employees raised cash donations of more than \$146,500. Mindray has contributed humanitarian support in crises ranging from the turmoil of the SARS outbreak in 2003 to the tsunami that struck the Indian Ocean in 2004.

The goal of the non-governmental Project Hope is to finance the education of students from poor families. It includes programs to establish Hope primary schools in underdeveloped rural areas, to establish Hope scholarships in high schools and universities, to implement distance education, and to train teachers for rural schools. Mindray has been part of this national effort for years and a number of schools have been built with company donations.

What are the key priorities you're most focused on for 2010 to maintain your success in the market?

Our priorities for 2010 are to closely monitor Chinese health care reform trends and act on all the opportunities they present; to consistently explore and penetrate international markets by recruiting local talent and developing a better understanding of the local markets and end customers' needs; to make continuous efforts to elevate Mindray's brand reputation in all markets by all necessary means; to monitor health care reform and policy in all accessible markets in order to be able to promptly respond to any opportunities and changes; to maintain our product strategy by launching seven to nine new products each year; to sustain our cost-down measures by continually providing products with a high price-to-performance ratio to customers; to achieve both top-line and bottom-line growth; and to maintain our strong cash position. ●