

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, our Group had entered into a number of transactions with counterparties who will become Connected Persons of our Company immediately upon the Listing. These transactions will continue after the Listing on a continuing or recurring basis and will therefore constitute continuing connected transactions for our Company under the Hong Kong Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Property Leases

Connected Person	Transaction	Details	Type	Historical Annual Figures (RMB)				Term	
				2009	2010	2011	From 1 January 2012 to 30 June 2012		
Beijing Huafang Investment Company Limited (北京華方投資有限公司) ("Beijing Huafang"), whose non wholly-owned subsidiary, Jinxiang Fosun owns 42.6% in Golden Elephant Pharmacy, a non wholly-owned subsidiary of our Company. Beijing Huafang is a Connected Person under Rule 14A.11(4) of the Hong Kong Listing Rules	Leasing of premises by Beijing Huafang to Golden Elephant Pharmacy, a 55% owned subsidiary of Pharmaceutical Investment and a 42.6% owned associated company of Jinxiang Fosun	74 De Sheng Men Street West, Xi Cheng District, Beijing, PRC	Rental	114,812	115,200	115,200	57,600	1 January 2010 to 31 December 2012	
		2 Madian Nan Village, Xi Cheng District, Beijing, PRC	Rental	240,388	241,200	241,200	120,600	1 January 2011 to 31 December 2013	
	<i>Sub-total for rental</i>				<u>355,200</u>	<u>356,400</u>	<u>356,400</u>	<u>178,200</u>	
Jinxiang Fosun, an associated company of our Group, is a substantial shareholder and holds a 42.6% in Golden Elephant Pharmacy, a non wholly-owned subsidiary of our Company. Jinxiang Fosun is a Connected Person under Rule 14A.11(1) of the Hong Kong Listing Rules	Leasing of premises by Jinxiang Fosun to Golden Elephant Pharmacy, a 55% owned subsidiary of Pharmaceutical Investment and a 42.6% owned associated company of Jinxiang Fosun	4 Lijiazhuang Nan Yuan, Fengtai District, Beijing, PRC	Rental	0	0	1,200,000	660,000	1 January 2011 to 31 December 2015	
		114 Xidan Avenue North, Beijing, PRC	Rental	0	0	1,000,000	550,000	1 January 2011 to 31 December 2015	
	145 Xi Zhi Men Inner Street, Xi Cheng District, Beijing, PRC	Rental	0	0	420,000	231,000	1 January 2011 to 31 December 2015		
	10 Xin Jie Kou South, Beijing, PRC	Rental	0	0	30,000	16,500	1 January 2011 to 31 December 2015		
	55 Bei Xin Hua Street, Beijing, PRC	Rental	0	0	50,000	27,500	1 January 2011 to 31 December 2015		
	19 Yue Tan Street South, Beijing, PRC	Rental	0	0	100,000	55,000	1 January 2011 to 31 December 2015		
	9 San Li He Road East, Xicheng District, Beijing, PRC	Rental	0	0	80,000	44,000	1 January 2011 to 31 December 2015		
	139 Diwai Men Street, Beijing, PRC	Rental	0	0	120,000	66,000	1 January 2011 to 31 December 2015		
	<i>Sub-total for rental</i>				<u>0</u>	<u>0</u>	<u>3,000,000</u>	<u>1,650,000</u>	
		Leasing of premises by Golden Elephant Pharmacy, a 55% owned subsidiary of Pharmaceutical Investment and a 42.6% owned associated company of Jinxiang Fosun, to Jinxiang Fosun (Chinese Herbal Medicine Branch)	3 Xi Si Avenue North, Xicheng District, Beijing, PRC	Rental	0	0	0	0	1 August 2012 to 16 December 2013 ⁽¹⁾
	Leasing of premises by Golden Elephant Pharmacy, a 55% owned subsidiary of Pharmaceutical Investment and a 42.6% owned associated company of Jinxiang Fosun, to Jinxiang Fosun (Chinese Medicine Clinic)	19 Yue Tan Street South, Xicheng District, Beijing, PRC	Rental	0	0	0	0	1 August 2012 to 31 December 2014 ⁽²⁾	
<i>Sub-total for rental</i>				<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
Total for rental				<u>355,200</u>	<u>356,400</u>	<u>3,356,400</u>	<u>1,828,200</u>		

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Our payment of rental made to Beijing Huafang and its associates was approximately RMB355,200 for the year ended 31 December 2009, approximately RMB356,400 for the year ended 31 December 2010, approximately RMB3,356,400 for the year ended 31 December 2011 and approximately RMB1,828,200 for the six months ended 30 June 2012.

Notes:

- (1) Annual rental of RMB60,000.
- (2) The annual rental represented 15% of the turnover of the Chinese Medicine Clinic. It is expected that the rental for 2012 will be RMB0.33 million, with an expected future annual growth rate of 10%.

Jinxiang Fosun, an associated company of our Group, is owned as to 50% by our Company and 50% by Beijing Huafang Investment Company Limited (北京華方投資有限公司) (“Beijing Huafang”), a state-owned enterprise principally engaged in the management and investment of state-owned assets. While we own 50% of the equity interest in Jinxiang Fosun, with the view to support the development of Golden Elephant Pharmacy, we have, on conditions that it would not affect our economic interests, granted Beijing Huafang the right to exercise 10% of our voting rights since 2007, which enables Golden Elephant Pharmacy to be regarded as state-controlled enterprise and benefit from better business opportunities. As a result, Jinxiang Fosun has been regarded as our associated company rather than as our subsidiary and therefore does not form part of our Group.

Beijing Huafang is the substantial shareholder and holds 50% of Jinxiang Fosun, and Jinxiang Fosun is the substantial shareholder and holds approximately 42.6% of Golden Elephant Pharmacy, one of our subsidiaries (the “Relationship”). As such, Beijing Huafang is a Connected Person of our Group under Rule 14A.11(4) of the Hong Kong Listing Rules and Jinxiang Fosun is a Connected Person of our Group under Rule 14A.11(1) of the Hong Kong Listing Rules. They are each a Connected Person of our Group solely by virtue of the Relationship.

Chen & Co. Law Firm, the PRC legal advisers of our Company, has confirmed that, save for the leased properties located at 145 Xi Zhi Men Inner Street, Xi Cheng District, Beijing, PRC, the lessors of the above property leases have legal and valid title to the relevant leased property. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has confirmed that the rental payable under each of the property leases is no less favorable to our Company than that payable by an Independent Third Party. Our Directors confirm that the rental under each of the property leases is fair and reasonable and was negotiated on an arm’s length basis and on normal commercial terms.

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On the basis that both Beijing Huafang and Jinxiang Fosun are each a Connected Person of our Group solely by virtue of the Relationship, and the relevant percentage ratios under the Hong Kong Listing Rules applicable to Golden Elephant Pharmacy have been less than 10% for each of the latest three financial years. Accordingly, with the application of the exemption under Rules 14A.31(9) and 14A.33(4), the transactions contemplated under the above property leases will not be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Connected Person	Transaction	Details	Type	Historical Figures (RMB)				Term
				2009	2010	2011	From 1 January 2012 to 30 June 2012	
Jinzhou Haoyu Wood Products Company Limited (錦州昊宇木製品加工有限責任公司) (“Haoyu”), a company controlled by Mr. Yu Hongru (于鴻儒), who owns 98.33% of Xinjiang Boze Equity Investment Limited Partnership (新疆博澤股權投資有限合夥企業), which in turn owns 28% and thus is a substantial shareholder of Aohong Pharma, a 70% owned subsidiary of Fosun Pharmaceutical Industrial, which in turn is a wholly-owned subsidiary of our Company. Haoyu is a Connected Person under Rule 14A.11(4) of the Hong Kong Listing Rules	Leasing of premises by Haoyu to Aohong Pharma	10 Fuzhou Street, Tai He District, Jin Zhou, Liao Ning Province, PRC	Rental	0	0	954,723	954,723	1 July 2011 to 31 December 2013

Haoyu, a company controlled by Mr. Yu Hongru (于鴻儒), who owns 98.33% of Xinjiang Boze Equity Investment Limited Partnership (新疆博澤股權投資有限合夥企業), which in turn owns 28% and thus is a substantial shareholder of Aohong Pharma, a 70% owned subsidiary of Fosun Pharmaceutical Industrial, which in turn is a wholly-owned subsidiary of our Company (“Relationship with Aohong”). Haoyu is a Connected Person under Rule 14A.11(4) of the Hong Kong Listing Rules. Haoyu is a Connected Person of our Group solely by virtue of the Relationship with Aohong.

Chen & Co. Law Firm, the PRC legal advisers of our Company, has confirmed that the lessor of the above property lease has legal and valid title to the relevant leased property. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has confirmed that the rental payable under the property lease is no less favorable to our Company than that payable by an Independent Third Party. Our Directors confirm that the rental under the property leases is fair and reasonable and was negotiated on an arm's length basis and on normal commercial terms.

On the basis that each of the percentage ratios (other than the profit ratios) on an annual basis is less than 1% and the transaction is a connected transaction only because Haoyu is a Connected Person of our Group solely by virtue of the Relationship with Aohong, with the application of the exemption under 14A.33(3)(b), the transactions contemplated under the above property leases will not be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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Mutual Supply Agreement

Connected Person	Transaction	Type	Historical Figures (RMB)			
			2009	2010	2011	From 1 January 2012 to 30 June 2012
Jinxiang Fosun, an associated company of our Group, is a substantial shareholder of and holds a 42.6% in Golden Elephant Pharmacy, a non wholly-owned subsidiary of our Company. Jinxiang Fosun is a Connected Person under Rule 14A.11(1) of the Hong Kong Listing Rules	Supply of pharmaceutical products by Golden Elephant Pharmacy to Jinxiang Fosun	Goods	37,341,483	35,663,081	22,181,756	10,438,968
	Supply of pharmaceutical products by Jinxiang Fosun to Golden Elephant Pharmacy	Goods	13,322,136	9,742,429	8,966,885	0

Jinxiang Fosun is principally engaged in the distribution and retail of pharmaceuticals. Apart from leasing certain properties for retail uses from Jinxiang Fosun, we also considered it as one of our many suppliers and customers that we would source pharmaceuticals products from and sell our products to. Jinxiang Fosun primarily sells high-end Chinese herbal medicine such as Bai Ta Si decoction piece (白塔寺飲片) to Golden Elephant Pharmacy. And Golden Elephant Pharmacy sells its full range of products such as over-the-counter and prescription drugs to Jinxiang Fosun.

Historically, Jinxiang Fosun was the controlling shareholder of Golden Elephant Pharmacy during 2009 and 2010. Jinxiang Fosun used Golden Elephant Pharmacy as its preferred partner for procurement and distribution of pharmaceutical products and the transaction volume between the two were at a high level. In late 2010, Golden Elephant Pharmacy was consolidated into our Company and we participated in the management of Golden Elephant Pharmacy in 2011. We expect that the supply of pharmaceutical products from Jinxiang Fosun to Golden Elephant Pharmacy will gradually decrease as our strategy is to improve our procurement model by developing stable business relationships with more third-party suppliers to provide broader selection of high-quality pharmaceutical products, and at the same time, we intend to strengthen the cooperation within our commercial business sector as well as between the industrial business sector and the commercial business sector to create synergy.

Our Directors are of the view that the above transactions with Jinxiang Fosun are in the interest of our Company and our Shareholders as a whole. The transactions were entered into on normal commercial terms, and the terms and conditions are no less favourable to our Group than those offered to Independent Third Parties.

On the basis that Jinxiang Fosun is a Connected Person of our Group solely by virtue of the Relationship, and the relevant percentage ratios under the Hong Kong Listing Rules applicable to Golden Elephant Pharmacy have been less than 10% for each of the latest three financial years, with the application of the exemption under Rules 14A.31(9) and 14A.33(4), the transactions contemplated under the above agreements will not be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of certain Master Property Management Services Agreements. The underlying transactions constitute non-exempt continuing connected transactions under Rule 14A.34 of the Hong Kong Listing Rules, for which a waiver from the announcement requirement is sought on the basis that each transaction will be subject to the relevant proposed annual caps referred to in this table.

Connected Person	Transaction	Type	Historical Figures (RMB)				Proposed Annual Caps (RMB)		
			2009	2010	2011	2012	2013	2014	
									From 1 January 2012 to 30 June 2012
Shanghai Furui , a 49% owned subsidiary of Golte Assets, which in turn is wholly-owned by Forte. Forte is a 99.05% indirect owned subsidiary of Fosun International, one of our Controlling Shareholders. Shanghai Furui is a Connected Person under Rule 14A.11(4) of the Hong Kong Listing Rules	Master Property Management Services Agreement A — provision of property management services by Shanghai Furui to our subsidiary of Fosun International, Company	Service fee	0	0	0	661,663	1,323,326	1,551,485	1,825,276
Master Property Management Services Agreement B — provision of property management services by Shanghai Furui to Shanghai ClonBiotech		Service fee	0	0	0	0	1,049,412	2,519,000	2,519,000
<i>Sub-total for service fee</i>			<u>0</u>	<u>0</u>	<u>0</u>	<u>661,663</u>	<u>2,372,738</u>	<u>4,070,485</u>	<u>4,344,276</u>
Shanghai Golte , a 60% owned subsidiary of Golte Assets, which in turn is wholly-owned by Forte. Forte is a 99.05% indirect owned subsidiary of Fosun International, one of our Controlling Shareholders. Shanghai Golte is a Connected Person under Rule 14A.11(4) of the Hong Kong Listing Rules	Master Property Management Services Agreement C — provision of property management services by Shanghai Golte to subsidiary of Fosun International, Shanghai ClonBiotech	Service fee	0	0	640,038	0	1,049,412	0	0
<i>Sub-total for service fee</i>			<u>0</u>	<u>0</u>	<u>640,038</u>	<u>0</u>	<u>1,049,412</u>	<u>0</u>	<u>0</u>
Beijing Golte , a wholly-owned subsidiary of Golte Assets, which in turn is wholly-owned by Forte. Forte is a 99.05% indirect owned subsidiary of Fosun International, one of our Controlling Shareholders. Beijing Golte is a Connected Person under Rule 14A.11(4) of the Hong Kong Listing Rules	Master Property Management Services Agreement D — provision of property management services to Chindex (Beijing), an indirect wholly-owned subsidiary of CML, which is a 51% owned subsidiary of Ample Up Limited, an indirect wholly-owned subsidiary of our Company	Service fee	0	0	582,233	349,340	806,170	941,000	1,075,000

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The following table sets forth a summary of the Financial Services Agreement and certain Master Leases. The underlying transactions constitute non-exempt continuing connected transactions under Rule 14A.35 of the Hong Kong Listing Rules, for which a waiver from the announcement and independent shareholders' approval requirements is sought on the basis that each transaction is subject to the relevant proposed annual caps referred to in this table.

Connected Person	Transaction	Type	Historical Figures (RMB)				Proposed Annual Caps (RMB)		
			2009	2010	2011	2012	2012	2013	2014
			From 1 January 2012 to 30 June 2012						
Fosun Finance, an 82% owned subsidiary of Fosun High Tech, one of our Controlling Shareholders. Fosun Finance is a Connected Person under Rule 14A.11(4) of the Hong Kong Listing Rules	Financial Services Agreement — provision of financial services by Fosun Finance to our Company		0	0	70,130,568	257,753,103	300,000,000	300,000,000	0 ⁽ⁱ⁾
	(a) Maximum daily outstanding balance of deposits placed by us with Fosun Finance	Deposit taking							
	(b) Maximum daily outstanding balance of loans granted by Fosun Finance to us	Loan provision	0	0	0	25,000,000	300,000,000	300,000,000	0 ⁽ⁱ⁾
	(c) Fees and charges paid by us to Fosun Finance for clearing and settlement services and other financial services	Service fee	0	0	0	244,775	1,000,000	1,000,000	0 ⁽ⁱ⁾

(i) The initial term of the Financial Services Agreement will expire on 31 December 2012. Our Company and Fosun Finance propose to renew the Financial Services Agreement on similar terms for a year and the new term will expire on 31 December 2013. The renewed Financial Services Agreement is expected to be signed on or about 24 October 2012 and is subject to the Shareholders' approval.

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Connected Person	Transaction	Type	Historical Figures (RMB)					Proposed Annual Caps (RMB)		
			2009	2010	2011	2012	2013	2014		
						From 1 January 2012 to 30 June 2012				
Forte Investment and Management , a wholly-owned subsidiary of Forte. Forte is in turn a 99.05% indirect owned subsidiary of Fosun International, one of our Controlling Shareholders. Forte Investment and Management is a Connected Person under Rule 14A.11(4) of the Hong Kong Listing Rules	Master Lease A — leasing of premises by Forte Investment and Management to Chindex (Beijing), an indirect wholly-owned subsidiary of CML, a 51% owned subsidiary of Ample Up Limited, which in turn is an indirect wholly-owned subsidiary of our Company	Rental	0	0	1,972,025	1,972,025	3,944,050	3,944,050	3,944,050	
	Master Lease B — leasing of premises by Forte Investment and Management to Fosun Pharmaceutical Industrial, a wholly-owned subsidiary of our Company	Rental	0	261,184	391,777	195,889	391,777	602,000	707,000	
	Master Lease C — leasing of premises by Forte Investment and Management to Yao Pharma, a 51% owned subsidiary of Fosun Pharmaceutical Industrial, which in turn is a wholly-owned subsidiary of our Company	Rental	0	110,617	147,490	73,745	147,489	247,000	266,000	
	Master Lease D — leasing of premises by Forte Investment and Management to Wanbang Pharma, a 97.8% owned subsidiary of Fosun Pharmaceutical Industrial, which in turn is a wholly-owned subsidiary of our Company	Rental	0	170,336	255,504	127,752	255,504	393,000	461,000	
	<i>Sub-total for rental</i>		<i>0</i>	<i>542,137</i>	<i>2,766,796</i>	<i>2,369,411</i>	<i>4,738,820</i>	<i>5,186,050</i>	<i>5,378,050</i>	

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Connected Person	Transaction	Type	Historical Figures (RMB)						Proposed Annual Caps (RMB)	
			2009	2010	2011	2012	2013	2014	From 1 January 2012 to 30 June 2012	
Fosun High Tech, one of our Controlling Shareholders. Fosun High Tech is a Connected Person under Rule 14A.11(1) of the Hong Kong Listing Rules	Master Lease H — leasing of premises by Shanghai ClonBiotech, a wholly-owned subsidiary of Fosun Pharmaceutical Industrial, which in turn is a wholly-owned subsidiary of our Company, to Fosun High Tech	Rental ⁽ⁱⁱⁱ⁾	0	0	93,585	112,302	224,604	224,604	224,604	224,604
			0	0	93,585	112,302	224,604	224,604	224,604	224,604
		Sub-total for rental								
		Total for rental	3,333,855	7,501,477	10,878,661	6,867,967	14,346,266	15,719,782	16,971,782	

Our payment of rental made to the Fosun Group and its associates was approximately RMB3,333,855 for the year ended 31 December 2009, approximately RMB7,501,477 for the year ended 31 December 2010, approximately RMB10,878,661 for the year ended 31 December 2011 and approximately RMB6,867,967 for the six months ended 30 June 2012.

Our payment of rental to the Fosun Group and its associates going forward are expected to be approximately RMB14,346,266 for the year ending 31 December 2012, approximately RMB15,719,782 for the year ending 31 December 2013 and approximately RMB16,971,782 for the year ending 31 December 2014.

- (i) Inclusive of management fee of RMB373,188 per annum.
- (ii) Inclusive of management fee of RMB373,188 per annum.
- (iii) Inclusive of management fee of RMB111,456 per annum.

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THE FINANCIAL SERVICES AGREEMENT

Fosun Finance was established in July 2011 with the aim to provide financial services to members of the Fosun Group and our Group, and is not intended to provide financial services to the general public. Fosun Finance is a licensed financial institution registered with the China Banking Regulatory Commission, and is regulated by the China Banking Regulatory Commission as well as the PBOC. Being a newly established company, Fosun Finance has yet to obtain any credit rating. As at 31 August 2012, the total assets value of Fosun Finance was approximately RMB972,399,586 which included liquid assets of approximately RMB971,143,268, with a current ratio of 61.3%, and the profit after tax was approximately RMB12,053,817. As at 31 August 2012, the deposits and loans were approximately RMB656,835,851 and RMB605,000,000, respectively. As at 30 September 2012, the capital adequacy ratio was approximately 35.2%.

Fosun Finance also provides treasury services to the Fosun Group as a whole and not solely to our Group, as an intra-group service provider, and is primarily engaged in:

1. the provision of financial and financing consultation, credit certification and related consultation and agency business;
2. assisting clients in realizing transactions receipt and payment, and approved insurance agency business;
3. the provision of guarantee for client;
4. dealing with promissory and discount notes;
5. attracting deposits from fellow members; and
6. the provision of loans, entrusted loans and finance lease business.

To expand the options for suitable financial services providers that understand our business needs, our Group started using Fosun Finance's financial services since its establishment in July 2011. We have our own financial management system and has the ability to operate independently from our Controlling Shareholders. As we are capable of obtaining financing from external sources without reliance on Fosun Finance and have the option to deposit our funds with other third party financial institutions as we see fit based on our needs, we are not financially dependent on our Controlling Shareholders. We have established internally a sound and comprehensive system for management of internal funds on a uniform basis to regulate the use of our funds and safeguard our interests. Such system comprises several provisions, rules and regulations approved by our Board, which are reviewable from time to time. The system specifies, among others, the fund management principles, as well as the internal control system for the deposit, utilization and management of funds, to ensure the safety and effective management of our funds. We do not plan to deposit any proceeds from the Global Offering with Fosun Finance.

We believe Fosun Finance will be able to meet and fulfil its obligations under the Financial Services Agreement. As a licensed financial institution registered with the China Banking Regulatory Commission, Fosun Finance is regulated by the China Banking Regulatory Commission and PBOC, and it provides its services in full compliance with the relevant rules and operational requirements, including capital risks guidelines and requisite capital adequacy ratios, of those regulatory authorities. As far as we are aware, Fosun Finance has not defaulted on any of its credit obligations or breached any rules or

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operations requirements of such regulatory authorities. Also, Fosun Finance has implemented capital risk control measures that we believe are at least as stringent as those of the major commercial banks in the PRC. It will provide us access to its books and accounts for inspection upon our request to enable us to monitor its risk control measures. In addition, we have formulated the *Action Plan for Disposal of Risks in Handling Financial Business with Fosun Finance* to manage the risks of conducting businesses with Fosun Finance.

Pursuant to the Financial Services Agreement, the terms such as the interest rate must make reference to the benchmark interest rates on the relevant service issued by the PBOC and must be no less favourable than the interest rate offered by the domestic commercial banks providing similar service for the same term and amount. As a member of the Fosun Group, Fosun Finance is more familiar with our Group's business and has a better understanding of our Group's business needs. Also, transactions with Fosun Finance are more efficient as the transaction and approval time are normally shorter when compared with other financial services providers. As the terms of the Financial Services Agreement are of market terms and Fosun Finance is regulated by the China Banking Regulatory Commission, we consider that the terms of the Financial Services Agreement are on normal commercial terms, fair and reasonable, and in the interests of our Group and our Shareholders as a whole. As the transactions with Fosun Finance are of normal commercial terms, we are of the view that the deposit placed with Fosun Finance would not constitute financial assistance provided by us to our Controlling Shareholders.

Scope of Services

Pursuant to the Financial Services Agreement, Fosun Finance shall provide the following services:

1. deposit services, such as current deposit, fixed deposit, demand deposit and other deposit arrangements;
2. credit services, such as loan, discount, guarantee and other forms of financing;
3. clearing and settlement services; and
4. all other financial services Fosun Finance is permitted to provide within its business scope as approved by the China Banking Regulatory Commission, including for example, cash management and discount of trade notes, among others.

Price Determination

The Financial Services Agreement provides that the services must be provided in accordance with the following general pricing principles:

1. the interest rate for deposit services must make reference to the benchmark interest rates on deposit issued by the PBOC, and must be no less than the interest rate payable (i) by the domestic commercial banks to our Group; and (ii) to others by Fosun Finance, for the deposit service of the same term and amount, whichever is higher;
2. the interest rate for credit services must make reference to the benchmark interest rates issued by the PBOC as well as the market rates, and must be no higher than the interest rate chargeable (i) by the domestic commercial banks to our Group; and (ii) to others by Fosun Finance, of the credit service for the same term and amount, whichever is lower; and

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3. the service fee for the clearing and settlement services, as well as other financial services must be no higher than the service fee chargeable (i) by the domestic commercial banks to our Group; and (ii) to others by Fosun Finance, for similar clearing and settlement services, whichever is lower.

Term and Termination

The initial term of the Financial Services Agreement shall expire on 31 December 2012, unless both parties agree to terminate the Financial Services Agreement earlier in writing. Our Company and Fosun Finance propose to renew the Financial Services Agreement on similar terms for a year and the new term will expire on 31 December 2013. The renewed Financial Services Agreement is expected to be signed on or about 24 October 2012 and is subject to the Shareholders' approval.

Proposed Annual Caps

The proposed annual caps are determined having considered (i) the business development plans and future financial needs of our Group taking into account the level of cash at the time of decision; and (ii) the expected interest/fees receivable/payable to Fosun Finance compared with the interest/fees that could otherwise be obtained from/paid to other independent commercial banks. To diversify our risks, the maximum daily outstanding balance of deposits was determined based on our level of cash and was approximately 10% of such cash level, and the maximum daily outstanding balance of loans was determined based on our financing needs and taking into account the size of Fosun Finance. The fees and charges payable were computed according to the industry rate based on the expected transaction levels.

Internal Control Procedures and Corporate Governance Measures

In addition to the internal control measures in connection with connected transactions, we will adopt additional internal procedures in relation to the Financial Services Agreement as set out below to safeguard the interest of our Shareholders:

1. Our annual financing plans will be subject to the approval by our Board. Such plans shall take into account the annual caps as specified in the Financial Services Agreement. We will also refer to all other relevant factors such as the average percentage for the previous year, the costs of different financing alternatives, our cash flow forecast and our capital expenditure plan for the year.
2. All our borrowings from Fosun Finance will be conducted by us in accordance with the terms approved by our Board.
3. When we need to enter into any loan or credit facilities agreements exceeding a prescribed amount with Fosun Finance after the Listing Date in relation to our borrowings from Fosun Finance, we will obtain at least two comparable offers from independent commercial banks or financial institutions for a loan of the same term or a credit facility of the same nature (as the case may be).
4. In order to allow our Board to monitor the implementation of the procedures in relation to deposits, we will report on a quarterly basis to our Board on the movements in each of our Fosun Finance deposit accounts together with our bank accounts.
5. We will report periodically to our Board on the average percentage of our loans from Fosun Finance compared with our total borrowings and any changes in the credit ratings of Fosun Finance during the preceding period.

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6. We will review the cash flows of each of our Company and our subsidiaries and assess our financial needs regularly.
7. We have formulated the *Action Plan for Disposal of Risks in Handling Financial Business with Fosun Finance* to prevent in an effective manner and promptly control and defuse the risks of conducting businesses with Fosun Finance. Such plan includes the establishment of a financial business risk team, which may report to our Board, to handle the financial risks and responsible for the prevention and disposal of loan and deposit risks.

THE MASTER PROPERTY MANAGEMENT SERVICES AGREEMENTS

Shanghai Furui is a 49% owned subsidiary of Golte Assets, which in turn is wholly-owned by Forte. Forte is a 99.05% indirect owned subsidiary of Fosun International, one of our Controlling Shareholders.

Shanghai Golte is a 60% owned subsidiary of Golte Assets, which in turn is wholly-owned by Forte. Forte is a 99.05% indirect owned subsidiary of Fosun International, one of our Controlling Shareholders.

Beijing Golte is a wholly-owned subsidiary of Golte Assets, which in turn is wholly-owned by Forte. Forte is a 99.05% indirect owned subsidiary of Fosun International, one of our Controlling Shareholders.

Scope of Services

Shanghai Furui, Shanghai Golte and Beijing Golte are principally engaged in property management services. We engaged Shanghai Furui, Shanghai Golte and Beijing Golte for the provision of property management services to our Group.

Price Determination

The Master Property Management Services Agreements provide that the service must be provided in accordance with the following general pricing principles:

1. state-prescribed price;
2. where there is no state-prescribed price, then according to state guidance price;
3. where there is neither state-prescribed price nor state guidance price, then according to relevant market price; or
4. where none of the above prices exists, then according to the price to be agreed between the parties. The agreed price will be calculated based on the actual cost or reasonable cost (whichever is lower) incurred in providing such product or service plus a reasonable profit.

Term and Termination

The initial term of the Master Property Management Services Agreements shall be for a period of three years, unless at any time either party gives at least three months' prior written notice of termination to the other party.

Proposed Annual Caps

The proposed annual caps are determined after taking into account the following factors: (i) the historical figures set out in the tables above; and (ii) the expected market service fees of the relevant services. In general, we expect our expenses in property management services fee will continue to

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increase due to the expected increase in utility costs (such as electricity and water), building maintenance costs, labour costs and general level of inflation. And in particular, for the Master Property Management Services Agreement B, the significant increase of the service fee payable in 2012 and onwards was due to the increase in labour costs as a result of the change in personnel arrangement at the premises.

THE MASTER LEASES

Each of the Master Leases contains the binding principles, guidelines and terms and conditions in accordance with which any and all products and services contemplated therein are to be provided by the relevant provider to the relevant recipient. The general terms of the Master Leases are set out below:

General Principles, Price and Terms

The relevant Master Leases require, in general terms, that:

1. the quality of premises under such leases to be provided to our Company should be satisfactory to our Company;
2. the price at which such leases are to be provided must be fair and reasonable; and must not exceed the market price as determined by an independent third party valuer.

Price Determination

Each of the Master Leases provides that each relevant premises must be provided in accordance with the following general pricing principles:

1. state-prescribed price;
2. where there is no state-prescribed price, then according to state guidance price;
3. where there is neither state-prescribed price nor state guidance price, then according to relevant market price; or
4. where none of the above prices exists, then according to the price to be agreed between the parties. The agreed price will be calculated based on the actual cost or reasonable cost (whichever is lower) incurred in providing such premises, product or service plus a reasonable profit.

Term and Termination

The initial term of each of the Master Leases shall be for a period of three years, unless at any time either party gives at least three months' prior written notice of termination to the other party.

The term of each of the Master Leases can be extended or renewed, provided that the relevant parties agree to such extension or renewal and the requirements under the relevant laws, regulations and the Hong Kong Listing Rules are complied with.

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Proposed Annual Caps

The proposed annual caps are determined after taking into account the following factors: (i) the historical figures set out in the tables above; (ii) the terms of the currently valid property leases; (iii) the future business needs of our Group such as the need for office or retail spaces; and (iv) the expected market rentals of the relevant premises based on the property market conditions in the PRC going forward.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has confirmed that the rental payable under each of the property leases is fair and reasonable and is consistent with the prevailing market rent for similar premises. The prescribed rental increments under each of the Master Leases are on normal commercial terms.

IMPLEMENTATION AGREEMENTS

It is envisaged that from time to time and as required, individual implementation agreements may be entered into between our Company, Fosun International Holdings or their respective associates, as appropriate.

Each implementation agreement will set out the specific services requested by the relevant party and other specifications which may be relevant to those services. The implementation agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions as contained in the relevant Master Agreement.

As the implementation agreements are simply further elaborations on the provision of products and services as contemplated by each of the Master Agreements, they do not constitute new categories of connected transactions under the Hong Kong Listing Rules.

APPLICATION FOR A WAIVER

Using the proposed annual caps above as the numerators for the purpose of calculating the percentage ratios, the relevant percentage ratios for the purpose of Chapter 14A of the Hong Kong Listing Rules in respect of the Master Property Management Services Agreements will be less than 5%, and the transactions contemplated under these agreements will therefore be subject to the reporting and announcement requirements but not the independent shareholders' approval requirement under Chapter 14A of the Listing Rules by virtue of Rule 14A.34(1). In respect of the Financial Services Agreement and the Master Leases, the relevant percentage ratios calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules, as our Directors currently expect, will exceed 5% on an annual basis and the annual consideration will exceed HK\$10,000,000. The transactions contemplated under the Financial Services Agreement and the Master Leases will therefore be subject to the reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules by virtue of Rules 14A.34 and 14A.35 of the Hong Kong Listing Rules.

Our Directors (including our independent non-executive Directors) consider that the non-exempt continuing connected transactions under Rule 14A.34 and Rule 14A.35 as described above have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms, that are fair and reasonable, and the proposed annual caps in respect of such transactions are fair and reasonable, so far as our Company is concerned, and such transactions and proposed annual caps are in the interests of our Company and the Shareholders as a whole.

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As the above non-exempt continuing connected transactions are expected to continue on a recurring basis, our Directors consider that strict compliance with the announcement and (where necessary) the independent shareholders' approval requirements would be impractical and would add unnecessary administrative costs to our Company following the Listing. Accordingly, our Company has requested the Hong Kong Stock Exchange to grant, and the Hong Kong Stock Exchange has granted, a waiver to our Company from strict compliance with the announcement and (where necessary) the independent shareholders' approval requirements set out in Rule 14A.47 of the Hong Kong Listing Rules. The waiver granted by the Hong Kong Stock Exchange for the non-exempt continuing connected transactions under the Financial Services Agreement will expire on 31 December 2013 and the waiver for 2013 is conditional on the Shareholders' approval, and for the non-exempt continuing connected transactions (other than those under the Financial Services Agreement) will expire on 31 December 2014. Our Company will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules, including the proposed annual caps set out in the above table.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions for which a waiver is sought are entered into in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole, and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable, and in the interests of our Company and the Shareholders as a whole.

INTERNAL CONTROL AND CORPORATE GOVERNANCE MEASURES CONCERNING CONNECTED TRANSACTIONS

In order to protect the interests of our Shareholders, we have adopted the following internal control and corporate governance measures in connection with connected transactions:

1. All the connected transactions of our Group (except for those exempted from the reporting, announcement and independent shareholders' approval) are subject to review and issuance of opinion by our independent non-executive Directors.
2. All the connected transactions together with the opinion of our independent non-executive Directors would then need to be submitted to the Board for consideration. Upon approval by a simple majority of the Board, the connected transactions exceeding 5% of the net assets would need to be submitted to the Shareholders' meeting for approval.
3. Connected transaction exempted from the reporting, announcement and independent shareholders' approval requirements that are less than RMB300,000 and are conducted with individual persons, or that are of less than 0.5% of the net assets value and are conducted with enterprises, would need to be approved by the management.
4. Our Company must enter into a written agreement with the Connected Person in respect of each connected transaction. The approval of the same would be subject to the above procedures, taking account of the amount of the transactions.
5. For continuing connected transactions, we would determine the annual cap of the transaction at the beginning of each year and submit to the Board for approval and the transactions shall be completed accordingly.

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6. In case of any changes in the list of Connected Persons, the office of the secretary to the Board would inform the finance department promptly to ensure that the list of Connected Persons is complete and up to date.

7. Our subsidiaries shall prepare and submit to our Company the form of Connected Persons with the relevant details of the transactions periodically and the finance department shall review the same to ensure the above measures are complied with.