
CONNECTED TRANSACTIONS

We have entered into certain transactions with parties who are our connected persons and these transactions will continue following the Listing Date, thereby constituting continuing connected transactions of our Group under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND APPLICATION FOR WAIVERS

Upon Listing, the following transactions will be regarded as continuing connected transactions subject to reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

1. Contractual Arrangements

(a) Description of the transactions

Subsequent to the Merger by Absorption, we have entered into the Contractual Arrangements which currently comprise four agreements, namely (i) Exclusive Consultancy Services Agreement, (ii) Share Pledge, (iii) Power of Attorney, and (iv) Exclusive Option Agreement. Please see "*History and Reorganisation*" for detailed terms of the Contractual Arrangements.

(b) Background of and reasons for the Contractual Arrangements

The Contractual Arrangements were entered into as part of the Reorganisation. Please see "*History and Reorganisation*" for further details regarding the Reorganisation.

Our Directors consider that it would be unduly burdensome and impractical, and would add unnecessary administration costs to our Group, for all transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements under Chapter 14A of the Listing Rules, including, among other things, the announcement and the independent shareholders' approval requirements.

(c) Historical transaction amounts

There is no historical transaction amount available for transactions under the Contractual Arrangements as: (i) the Exclusive Consultancy Services Agreement was first executed on 1 July 2013 and later amended on 26 November 2013, and (ii) from 27 June 2013 to the Latest Practicable Date, the service fees paid by Jintian Century to Hong Kong Health Century were nil as no dividends or other economic benefits were received by Jintian Century from Jintian Aixin Co.

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(d) Application for and conditions of waiver

In view of the above, we have applied to the Stock Exchange pursuant to Rule 14A.42(3) of the Listing Rules for, and the Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements, (ii) setting a maximum aggregate annual value (i.e. an annual cap) for the amounts payable by Jintian Century to Hong Kong Health Century under the Exclusive Consultancy Services Agreement, and (iii) having to restrict the term of the Contractual Arrangements to no more than three years, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

- i. **No change without independent non-executive Directors' approval:** No changes to the Contractual Arrangements will be made without the approval of our independent non-executive Directors.
- ii. **No change without independent Shareholders' approval:** No changes to the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in our annual reports (as set out in paragraph (v) below) will however continue to be applicable.
- iii. **Economic benefits flexibility:** The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived from Jintian Century's 4.99% equity interest in Jintian Aixin Co. through (i) the irrevocable option granted by Jintian Century to Hong Kong Health Century or another subsidiary of the Company to purchase, to the extent permitted by PRC laws and regulations and subject to compliance with connected transactions requirements under Chapter 14A of the Listing Rules, its equity interests in Jintian Aixin Co., either entirely or partially, at the net asset value of Jintian Aixin Co. at the time of acquiring such interest, (ii) the business structure under which the economic benefits flowing from Jintian Century's 4.99% equity interest is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Hong Kong Health Century by Jintian Century under the Exclusive Consultancy Services Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Jintian Century.
- iv. **Renewal and reproduction:** On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and Jintian Century, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our

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Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

v. **Ongoing reporting and approvals:** We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with relevant provisions of the Listing Rules.
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; and (ii) no dividends or other distributions have been made by Jintian Aixin Co. to Jintian Century which are not otherwise subsequently assigned or transferred to our Group.
- our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Jintian Aixin Co. to Jintian Century which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Jintian Aixin Co. will be treated as our wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Jintian Aixin Co. and their respective associates will be treated as connected persons of our Company (excluding for this purpose, Jintian Aixin Co.), and transactions between these connected persons and our Group (including for this purpose, Jintian Aixin Co.), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Jintian Century will undertake that, for so long as the Shares are listed on the Stock Exchange, Jintian Century will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

vi. **Corporate governance:** To further ensure sound and effective operation of our Group after the adoption of the Contractual Arrangements, we have implemented the following measures:

- as part of internal control measures, major issues arising from implementation of the Contractual Arrangements will be reviewed by the Board on a regular basis;

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- matters relating to compliance and regulatory enquiries from regulatory authorities (if any) will be discussed at such regular Board meetings and on an ad-hoc basis if needed;
- we will comply with the conditions prescribed under the waiver given by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements; and
- legal advisors and/or other professionals will be retained to assist us to deal with specific issues arising from the Contractual Arrangements as required.

2. National Sales and Use of Trademark Agreement with Chengde Yushi

(a) Description of the transactions

Pursuant to a national sales and use of trademark agreement dated 1 January 2012, a supplemental agreement dated 10 January 2012, a supplemental agreement dated 30 June 2013 and a supplemental agreement dated 25 November 2013 (together the “**Chengde Yushi National Sales and Trademark Agreement**”) entered into between Jintian Aixin Co. and Chengde Yushi, Chengde Yushi granted Jintian Aixin:

- (i) a non-exclusive right for the period from 1 January 2012 to 29 June 2013, and an exclusive right for the period from 30 June 2013 to 30 June 2016, to distribute its pharmaceutical products as specified in the Chengde Yushi National Sales and Trademark Agreement throughout China; and
- (ii) a non-exclusive right for the period from 1 January 2012 to 29 June 2013, and for a total consideration of RMB7.8 million, an exclusive right for the period from 30 June 2013 to 30 June 2016, to use its “Yushi” (御室) trademark on its pharmaceutical products and pharmaceutical products produced by third party manufacturers which are distributed by us throughout China.

The annual target of selling pharmaceutical products purchased by us from Chengde Yushi in 2013 is RMB80 million, which will increase by 40% annually thereafter. We shall endeavor, but are not obligated, to reach such annual targets. If Chengde Yushi’s cost of sales increases substantially due to the rise in raw material price, Jintian Aixin Co. and Chengde Yushi may adjust the product price based on consultation, provided that, throughout the term of the Chengde Yushi National Sales and Trademark Agreement, the range of adjustment shall at all times not exceed 10% of the original product price. Such range of adjustment should be subject to internal control procedures of Jintian Aixin Co. and the Company, which will involve review and approval by the independent non-executive directors of the Company.

Chengde Yushi shall not transfer the “Yushi” (御室) trademark to any third party without prior consent from us. Upon expiry of the Chengde Yushi National Sales and Trademark Agreement and in the event that Chengde Yushi intends to sell its “Yushi” (御室) trademark, Jintian Aixin shall have the right of first refusal with regard to such sale. In the event the “Yushi” (御室) trademark is transferred to a third party, Chengde Yushi shall procure such third party to enter into a trademark licensing agreement with us following the principal terms of the Chengde Yushi National Sales and Trademark Agreement.

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The total consideration of RMB7.8 million for licensing of the “Yushi” (御室) trademark will be paid in three equal instalments. The first instalment of RMB2.6 million was paid in November 2013. The second instalment of RMB2.6 million and third instalment of RMB2.6 million will be paid in November 2014 and November 2015, respectively.

Chengde Yushi was one of our largest suppliers during the Track Record Period, from which we sourced many of our Licensed Products and products with exclusive distribution rights. These transactions with Chengde Yushi have been entered into in the ordinary and usual course of our Group’s business and are on normal commercial terms. We expect to continue these transactions with Chengde Yushi after Listing and will continue to do so on an arm’s length basis, on normal commercial terms and on terms no less favourable than terms offered by Chengde Yushi to Independent Third Parties.

(b) *Historical transaction amounts*

In 2010, 2011, 2012 and the six months ended 30 June 2013, the aggregate amounts paid by us to Chengde Yushi for procurement of pharmaceutical products were approximately RMB20.8 million, RMB23.9 million, RMB46.7 million and RMB47.3 million, respectively. Purchases from Chengde Yushi accounted for approximately 3.4%, 2.2%, 2.5% and 4.5% of our total purchases for the same periods, respectively. Based on the Group’s management accounts, the aggregate amounts paid by us to Chengde Yushi for procurement of pharmaceutical products were approximately RMB16.2 million from 1 July 2013 to 31 July 2013.

In 2010, 2011, 2012 and the six months ended 30 June 2013, the fees paid by us to Chengde Yushi for the “Yushi” (御室) trademark were nil. This is based on our previous agreement with Chengde Yushi for the “Yushi” (御室) trademark, under which the licensing fees were only payable if our revenue generated by Licensed Products under the “Yushi” (御室) brand exceeded RMB40 million. The licensing fees are no longer calculated in this way under the Chengde Yushi National Sales and Trademark Agreement, as the relevant parties acknowledged that it would be difficult for the licensor to monitor the actual amount of revenue generated by Licensed Products under the relevant brand. Instead, the parties have taken into account the estimated revenue to be generated by Licensed Products when determining the total consideration for licensing of the “Yushi”(御室) trademark.

(c) *Listing Rules requirements*

Chengde Yushi is owned as to 95% by Mr. Geng Liyuan (耿立元), uncle of Mr. Jin, our Controlling Shareholder, Chairman and executive Director and as to 5% by Mr. Geng Changsheng (耿長勝), cousin of Mr. Jin. As such, Chengde Yushi is a connected person of the Company. The transactions contemplated under the Chengde Yushi National Sales and Trademark Agreement will therefore constitute continuing connected transactions of the Company in accordance with the Listing Rules after the Listing.

As the highest of the applicable percentage ratios of the transactions contemplated under the Chengde Yushi National Sales and Trademark Agreement is, on an annual basis, expected to be more than 5%, these transactions would, upon Listing, and in the absence of the grant of a waiver by the Stock Exchange as referred to in “– *Waivers*” below, be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Chengde Yushi National Sales and Trademark Agreement will be subject to maximum annual caps expressed in monetary terms.

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(d) *Annual Caps*

Set out below are the annual caps in respect of the aggregate value of the purchases of pharmaceutical products from Chengde Yushi by the Group under the Chengde Yushi National Sales and Trademark Agreement:

Year ending 31 December	Annual Cap (RMB million)
2013	110.0
2014	150.0
2015	190.0

In determining the above annual caps, our Directors have considered: (i) the historical transaction amounts with Chengde Yushi, (ii) the increase in the purchase volume from Chengde Yushi, which is expected to be approximately 25% in the second half of 2013 and within the range of 28% to 40% in 2014 and 2015, with reference to our growth in relation to Licensed Products and products with exclusive distribution rights for the same periods.

Set out below are the annual caps in respect of the fees paid by us to Chengde Yushi for the licensing of the “Yushi” (御室) trademark under the Chengde Yushi National Sales and Trademark Agreement:

Year Ending 31 December	Annual Cap (RMB million)
2014	2.6
2015	2.6

3. National Sales and Use of Trademark Agreement with Heilongjiang Baitai

(a) *Description of the transactions*

Pursuant to a national sales and use of trademark agreement dated 1 January 2012, a supplemental agreement dated 10 January 2012, a supplemental agreement dated 30 June 2013 and a supplemental agreement dated 25 November 2013 (together the “**Heilongjiang Baitai National Sales and Trademark Agreement**”) entered into between Jintian Aixin Co. and Heilongjiang Baitai, Heilongjiang Baitai granted Jintian Aixin Co.:

- (i) a non-exclusive right for the period from 1 January 2012 to 29 June 2013, and an exclusive right for the period from 30 June 2013 to 30 June 2016, to distribute its pharmaceutical products as specified in the Heilongjiang Baitai National Sales and Trademark Agreement throughout China; and
- (ii) a non-exclusive right for the period from 1 January 2012 to 29 June 2013, and for a total consideration of RMB8.75 million, an exclusive right for the period from 30 June 2013 to 30 June 2016, to use its “Kangyisheng” (康醫生) trademark on its pharmaceutical products and pharmaceutical products produced by third party manufacturers which are distributed by us throughout China.

The annual target of selling pharmaceutical products purchased by us from Heilongjiang Baitai in 2013 is RMB85 million, which will increase by 35% annually thereafter. We shall endeavor, but are not

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obligated, to reach such annual targets. If Heilongjiang Baitai's cost of sales increases substantially due to the rise in raw material price, Jintian Aixin Co. and Heilongjiang Baitai may adjust the product price based on consultation, provided that, throughout the term of the Heilongjiang Baitai National Sales and Trademark Agreement, the range of adjustment shall at all times not exceed 10% of the original product price. Such range of adjustment should be subject to the internal control procedures of Jintian Aixin Co. and the Company, which will involve review and approval by the independent non-executive directors of the Company.

Heilongjiang Baitai shall not transfer the “Kangyisheng” (康醫生) trademark to any third party without prior consent from us. Upon expiry of the Heilongjiang Baitai National Sales and Trademark Agreement and in the event that Heilongjiang Baitai intends to sell its trademark, Jintian Aixin Co. shall have the right of first refusal with regard to such sale. In the event the “Kangyisheng” (康醫生) trademark is transferred to a third party, Heilongjiang Baitai shall procure such third party to enter into a trademark licensing agreement with us following the principal terms of the Heilongjiang Baitai National Sales and Trademark Agreement.

The total consideration of RMB8.75 million for licensing of the “Kangyisheng” (康醫生) trademark will be paid in three approximately equal instalments. The first instalment of RMB2.91 million was paid in November 2013. The second instalment of RMB2.92 million and third instalment of RMB2.92 million will be paid in November 2014 and November 2015, respectively.

Heilongjiang Baitai was one of our largest suppliers during the Track Record Period, from which we sourced many of our Licensed Products and products with exclusive distribution rights. These transactions with Heilongjiang Baitai have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. We expect to continue these transactions with Heilongjiang Baitai after Listing and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than terms offered by Heilongjiang Baitai to Independent Third Parties.

(b) Historical transaction amounts

In 2010, 2011, 2012 and the six months ended 30 June 2013, the aggregate amounts paid by us to Heilongjiang Baitai for procurement of pharmaceutical products were approximately RMB34.9 million, RMB36.6 million, RMB54.2 million and RMB25.1 million, respectively. Purchases from Heilongjiang Baitai accounted for approximately 5.7%, 3.3%, 2.9% and 2.4% of our total purchases for the same periods, respectively. Based on the Group's management accounts, the aggregate amounts paid by us to Heilongjiang Baitai for procurement of pharmaceutical products were approximately RMB9.0 million from 1 July 2013 to 31 July 2013.

In 2010, 2011, 2012 and the six months ended 30 June 2013, the fees paid by us to Heilongjiang Baitai for the “Kangyisheng” (康醫生) trademark were nil. This is based on our previous agreement with Heilongjiang Baitai for the “Kangyisheng” (康醫生) trademark, under which the licensing fees were only payable if our revenue generated by Licensed Products under the “Kangyisheng” (康醫生) brand exceeded RMB40 million. The licensing fees are no longer calculated in this way under the Heilongjiang Baitai National Sales and Trademark Agreement, as the relevant parties acknowledged that it would be difficult for the licensor to monitor the actual amount of revenue generated by Licensed Products under the relevant brand. Instead, the parties have taken into account the estimated revenue to be generated by Licensed Products when determining the total consideration for licensing of the “Kangyisheng” (康醫生) trademark.

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(c) Listing Rules requirements

Heilongjiang Baitai is wholly owned by Ms. Liu Shuxia (劉樹霞), cousin-in-law of Mr. Jin, our Controlling Shareholder, Chairman and executive Director. As such, Heilongjiang Baitai is a connected person of the Company. The transactions contemplated under the Heilongjiang Baitai National Sales and Trademark Agreement will therefore constitute continuing connected transactions of the Company in accordance with the Listing Rules after the Listing.

As the highest of the applicable percentage ratios of the transactions contemplated under the Heilongjiang Baitai National Sales and Trademark Agreement is, on an annual basis, expected to be more than 5%, these transactions would, upon Listing, and in the absence of the grant of a waiver by the Stock Exchange as referred to in “– *Waivers*” below, be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Heilongjiang Baitai National Sales and Trademark Agreement will be subject to maximum annual caps expressed in monetary terms.

(d) Annual Caps

Set out below are the annual caps in respect of the aggregate value of the purchases of pharmaceutical products from Heilongjiang Baitai by the Group under the Heilongjiang Baitai National Sales and Trademark Agreement:

Year ending 31 December	Annual Cap (RMB million)
2013	60.0
2014	84.0
2015	100.0

In determining the above annual caps, our Directors have considered: (i) the historical transaction amounts with Heilongjiang Baitai, and (ii) the increase in the purchase volume from Heilongjiang Baitai, which is expected to be within the range of 25% to 40% for years 2013 to 2015, with reference to our growth in relation to Licensed Products and products with exclusive distribution rights for the same periods.

Set out below are the annual caps in respect of the fees paid by us to Heilongjiang Baitai for the licensing of the “Kangyisheng” (康醫生) trademark under the Heilongjiang Baitai National Sales and Trademark Agreement:

Year Ending 31 December	Annual Cap (RMB million)
2014	2.92
2015	2.92

4. National Sales Agreements with Mintai and Jifeng

(a) Description of the transactions

Pursuant to a national sales agreement dated 21 February 2013 (as amended and supplemented on 25 November 2013) (the “**Mintai National Sales Agreement**”) entered into between Jintian Aixin Co. and Mintai, Mintai authorised Jintian Aixin Co. to distribute, on an exclusive basis, some of its pharmaceutical products as specified in the Mintai National Sales Agreement, throughout China from 25 February 2013 and 24 February 2016. We are required to sell a minimum of 1,200 pieces per product category and if we fail to achieve such sale target, the Mintai National Sales Agreement shall terminate automatically. If Mintai’s cost of sales increases substantially due to the rise in raw material price, Jintian Aixin Co. and Mintai may adjust the product price based on consultation, provided that, throughout the term of the Mintai National Sales Agreement, the range of adjustment shall at all times not exceed 15% of the original product price. Such range of adjustment should be subject to the internal control procedures of Jintian Aixin Co. and the Company, which will involve review and approval by the independent non-executive directors of the Company.

Pursuant to a national sales agreement dated 1 June 2012 (as amended and supplemented on 25 November 2013) (the “**Jifeng National Sales Agreement**”) entered into between Jintian Aixin Co. and Jifeng, Jifeng authorised Jintian Aixin Co. to distribute, on an exclusive basis, its pharmaceutical products as specified in the Jifeng National Sales Agreement, throughout China between 1 June 2012 and 31 May 2015. We are not required to achieve a minimum purchase target pursuant to the Jifeng National Sales Agreement. If Jifeng’s cost of sales increases substantially due to the rise in raw material price, Jintian Aixin Co. and Jifeng may adjust the product price based on consultation, provided that, throughout the term of the Jifeng National Sales Agreement, the range of adjustment shall at all times not exceed 15% of the original product price. Such range of adjustment should be subject to the internal control procedures of Jintian Aixin Co. and the Company, which will involve review and approval by the independent non-executive directors of the Company.

(b) Historical transaction amounts

We started to purchase pharmaceutical products from Mintai in November 2011. In 2011, 2012 and the six months ended 30 June 2013, the aggregate amounts paid by us to Mintai for procurement of pharmaceutical products were approximately RMB2.9 million, RMB25.4 million and RMB22.9 million, respectively. Purchases from Mintai accounted for approximately 0.3%, 1.3% and 2.2% of our total purchases for the same periods, respectively. Based on the Group’s management accounts, the aggregate amounts paid by us to Mintai for procurement of pharmaceutical products were approximately RMB4.0 million from 1 July 2013 to 31 July 2013.

We started to purchase pharmaceutical products from Jifeng in June 2012. In 2012 and the six months ended 30 June 2013, the aggregate amounts paid by us to Jifeng for procurement of pharmaceutical products were approximately RMB4.5 million and RMB8.0 million, respectively. Purchases from Jifeng accounted for approximately 0.2% and 0.8% of our total purchases for the same periods, respectively. Based on the Group’s management accounts, the aggregate amounts paid by us to Jifeng for procurement of pharmaceutical products were approximately RMB0.6 million from 1 July 2013 to 31 July 2013.

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The aggregate amounts paid by us to Mintai and Jifeng combined for procurement of pharmaceutical products were approximately RMB2.9 million, RMB29.9 million and RMB30.9 million in 2011, 2012 and the six months ended 30 June 2013, respectively. Such purchases combined accounted for approximately 0.3%, 1.5% and 3.0% of our total purchases for the same periods, respectively. Based on the Group's management accounts, the aggregate amounts paid by us to Mintai and Jifeng for procurement of pharmaceutical products were approximately RMB4.6 million from 1 July 2013 to 31 July 2013.

(c) Listing Rules requirements

Mintai is jointly owned as to 49% by Ms. Li Shuyu (李樹郁) and her husband, Mr. Xin Youjiang (信有江), and as to 51% by an Independent Third Party. Jifeng is owned as to 40% by Mr. Xin Youjiang (信有江) and as to 60% by an Independent Third Party. Ms. Li Shuyu (李樹郁) owns 36% equity interest in our subsidiary, Wei Kang. As such, each of Mintai and Jifeng is a connected person of the Company. The transactions with Mintai and Jifeng contemplated under the Mintai National Sales Agreement and Jifeng National Sales Agreement will therefore be aggregated and constitute continuing connected transactions of the Company in accordance with the Listing Rules after the Listing.

As the highest applicable percentage ratio of the transactions contemplated under the Mintai National Sales Agreement and the Jifeng National Sales Agreement is, on an annual basis, expected to be more than 5%, these transactions would, upon Listing, and in the absence of the grant of a waiver by the Stock Exchange as referred to in “– Waivers” below, be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Mintai National Sales Agreement and Jifeng National Sales Agreement will be subject to maximum annual caps expressed in monetary terms.

(d) Annual Caps

Set out below are the annual caps in respect of the aggregate value of the purchases from Mintai and Jifeng by the Group under the Mintai National Sales Agreement and Jifeng National Sales Agreement:

<u>Year ending 31 December</u>	<u>Annual Cap</u> <u>(RMB million)</u>
2013	70.0
2014	88.0
2015	105.0

We have been sourcing many of our Licensed Products from Mintai and Jifeng during the Track Record Period. In light of the expansion strategy on Licensed Products and the facts that both Mintai and Jifeng are OEM manufacturers of Licensed Products, our Directors expect purchases from Mintai and Jifeng will continue to increase. The annual caps with Mintai and Jifeng have been determined based on the expected purchases from them by reference to our business expansion and expansion strategy on our Licensed Products. Purchases from Mintai are expected to increase by 20% in the second half of 2013, and increase by 20% to 26% in 2014 and 2015. Purchases from Jifeng are expected to increase by 25% in the second half of 2013, and increase by 18% to 28% in 2014 and 2015.

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Waivers

Pursuant to Rule 14A.42(3) of the Listing Rules, the Stock Exchange has granted waivers from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.47 and Rule 14A.48 of the Listing Rules in respect of the transactions under (i) the Contractual Arrangements; (ii) the Chengde Yushi National Sales and Trademark Agreement; (iii) the Heilongjiang Baitai National Sales and Trademark Agreement; and (iv) the Mintai National Sales Agreement and Jifeng National Sales Agreement.

The Company will, however, comply at all times with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in respect of these non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this prospectus on the continuing connected transactions set out in this section, the Company will take immediate steps to ensure compliance with such new requirements.

Confirmations of our Directors and Sole Sponsor

The Directors, including the independent non-executive Directors, consider that all the continuing connected transactions described above have been negotiated at arms' length and are conducted on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole and are entered into in the ordinary and usual course of business of the Group. In respect of the continuing connected transactions described above, the Directors, including the independent non-executive Directors, are of the view that the annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors, including the independent non-executive Directors, are of the view that the duration of the continuing connected transactions described above is in accordance with normal business practice, and the purpose of the agreements is to assist in providing stability to the Group's business and facilitate achieving the Company's objectives.

The Sole Sponsor has reviewed the relevant information and historical figures prepared and provided by us relating to the non-exempt continuing connected transactions described above and have also conducted due diligence by discussing these transactions with us and our advisors and have obtained various representations and confirmations from us. Based on the Sole Sponsor's due diligence, the Sole Sponsor is of the view that such transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps (where applicable) for the non-exempt continuing connected transactions described above are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

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EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as continuing connected transactions exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

1. Medical Services Agreement

(a) Description of the transactions

Pursuant to a service agreement dated 20 May 2009 entered into among our Group, Jiamusi Expert Hospital (佳木斯專家醫院) (“**Expert Hospital**”) and Jiamusi Jintian Ciji Hospital (佳木斯金天慈濟醫院) (“**Jintian Ciji Hospital**”), (i) Expert Hospital and Jintian Ciji Hospital will provide our retail customers who purchase certain pharmaceutical products from us free injection services at these hospitals (the “**Injection Services**”) and (ii) we will reimburse such service fees to the hospitals based on the number of injections provided.

In accordance with a supplemental agreement with Expert Hospital and Jintian Ciji Hospital dated 21 May 2009, such hospitals are fully liable for any malpractice in connection with the free injection services. During the Track Record Period, there was no malpractice claims arising from the free injection services.

Expert Hospital is 100% owned and controlled by Mr. Jin Dongkun, our Controlling Shareholder, executive Director and brother of Mr. Jin, while Jintian Ciji Hospital is 100% owned and controlled by Mr. Jin, our Controlling Shareholder, Chairman and executive Director. These transactions with Expert Hospital and Jintian Ciji Hospital have been entered into in the ordinary and usual course of our Group's business and are on normal commercial terms. We expect to continue these transactions with Expert Hospital and Jintian Ciji Hospital after the Listing and will continue to do so on an arm's length basis, on normal commercial terms and on terms no less favourable than terms offered by Expert Hospital and Jintian Ciji Hospital to Independent Third Parties.

(b) Historical transaction amounts

In 2010, 2011 and 2012, the aggregate amounts paid by us to Expert Hospital and Jintian Ciji Hospital for the Injection Services were approximately RMB0.04 million, RMB0.06 million and RMB0.07 million, respectively. Based on the Group's management accounts, the aggregate amounts incurred for the Injection Services provided by Expert Hospital and Jintian Ciji Hospital were approximately RMB0.05 million for the seven months ended 31 July 2013.

(c) Listing Rules requirements

As the highest applicable percentage ratio in respect of fees payable to Expert Hospital and Jintian Ciji Hospital for the Injection Services will, on an annual basis, be less than 0.1% and such transactions are entered into on normal commercial terms, they will constitute *de minimis* continuing connected transactions exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.33 of the Listing Rules.

CONNECTED TRANSACTIONS

2. Consultancy and Trademark Agreement with Jiamusi Jinmenggongchang

(a) *Description of the transactions*

Pursuant to a consultancy and use of trademark agreement dated 1 January 2012, a supplemental agreement dated 10 January 2012 and a supplemental agreement dated 30 June 2013 (together the “**Jiamusi Jinmenggongchang Consultancy and Trademark Agreement**”) entered into between Jintian Aixin Co. and Jiamusi Jinmenggongchang:

- (i) Jiamusi Jinmenggongchang will provide sales and marketing consultancy services to our Group for an annual consideration of RMB500,000, payable in January of each year. Such sales and marketing consultancy services mainly include market research, product data collection, package design and marketing and promotion planning; and
- (ii) Jiamusi Jinmenggongchang granted Jintian Aixin Co. a non-exclusive right for the period from 1 January 2012 to 30 June 2013, and for a total consideration of RMB2.95 million, an exclusive right for the period from 1 July 2013 to 30 June 2016, to use its “Shequyisheng” (社區醫生) trademark and “Taoqimao” (淘氣貓) trademark on its pharmaceutical products and pharmaceutical products produced by third party manufacturers which are distributed by us throughout China.

Jiamusi Jinmenggongchang shall not transfer the “Shequyisheng” (社區醫生) trademark or “Taoqimao” (淘氣貓) trademark to any third party without prior consent from us. Upon expiry of the Jiamusi Jinmenggongchang Consultancy and Trademark Agreement and in the event that Jiamusi Jinmenggongchang intends to sell its trademark, Jintian Aixin Co. will have the right of first refusal with regard to such sale. In the event the “Shequyisheng” (社區醫生) trademark and “Taoqimao” (淘氣貓) trademark are transferred to a third party, Jiamusi Jinmenggongchang shall procure such third party to enter into a trademark licensing agreement with us following the principal terms of the Jiamusi Jinmenggongchang Consultancy and Trademark Agreement.

The total consideration of RMB2.95 million for licensing of the “Taoqimao” (淘氣貓) trademark and “Shequyisheng” (社區醫生) trademark will be paid in three approximately equal instalments. The first instalment of RMB0.98 million was paid in November 2013. The second instalment of RMB0.98 million and third instalment of RMB0.99 million will be paid in November 2014 and November 2015, respectively.

These transactions with Jiamusi Jinmenggongchang have been entered into in the ordinary and usual course of our Group’s business and are on normal commercial terms. We expect to continue these transactions with Jiamusi Jinmenggongchang after Listing and will continue to do so on an arm’s length basis, on normal commercial terms and on terms no less favourable than terms offered by Jiamusi Jinmenggongchang to Independent Third Parties.

(b) *Historical transaction amounts*

In 2010, 2011, 2012 and the six months ended 30 June 2013, the fees paid by us for the sales and marketing consultancy services provided by Jiamusi Jinmenggongchang were nil. This is because the amount of the sales and marketing consultancy services provided by Jiamusi Jinmenggongchang was nominal.

CONNECTED TRANSACTIONS

We started to use the “Shequyisheng” (社區醫生) trademark and “Taoqimao” (淘氣貓) trademark in August 2012. In 2012 and the six months ended 30 June 2013, the fees paid by us to Jiamusi Jinmenggongchang for the “Shequyisheng” (社區醫生) trademark and “Taoqimao” (淘氣貓) trademark were nil. This is based on our previous agreement with Jiamusi Jinmenggongchang for the “Shequyisheng” (社區醫生) trademark and “Taoqimao” (淘氣貓) trademark, under which the licensing fees were only payable if our revenue generated by Licensed Products under the “Shequyisheng” (社區醫生) brand and “Taoqimao” (淘氣貓) brand exceeded RMB40 million. The licensing fees are no longer calculated in this way under the Jiamusi Jinmenggongchang Consultancy and Trademark Agreement, as the relevant parties acknowledged that it would be difficult for the licensor to monitor the actual amount of revenue generated by Licensed Products under the relevant brands. Instead, the parties have taken into account the estimated revenue generated by Licensed Products when determining the total consideration for licensing of the “Shequyisheng” (社區醫生) trademark and “Taoqimao” (淘氣貓) trademark.

(c) Listing Rules requirements

Jiamusi Jinmenggongchang is wholly owned by Mr. Hao Xiangli (郝向利), nephew of Mr. Jin, our Controlling Shareholder, Chairman and executive Director. As such, Jiamusi Jinmenggongchang is a connected person of the Company. The transactions contemplated under the Jiamusi Jinmenggongchang Consultancy and Trademark Agreement will therefore constitute continuing connected transactions of the Company in accordance with the Listing Rules after the Listing.

As the highest applicable percentage ratio of the transactions contemplated under the Jiamusi Jinmenggongchang Consultancy and Trademark Agreement is, on an annual basis, expected to be less than 0.1% and such transactions are entered into on normal commercial terms, they will constitute de minimis continuing connected transactions exempt pursuant to Rule 14A.33 of the Listing Rules from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

(d) Annual Caps

Set out below are the annual caps in respect of the aggregate value of the transaction with Jiamusi Jinmenggongchang by the Group under the Jiamusi Jinmenggongchang Consultancy and Trademark Agreement:

<u>Year ending 31 December</u>	<u>Annual Cap</u> (RMB million)
2013	1.48
2014	1.48
2015	1.49

The caps have been determined based on (i) the amount of the fees for the sales and marketing consultancy services provided by Jiamusi Jinmenggongchang and (ii) the amount of the fees in relation to the licensing of the “Taoqimao” (淘氣貓) trademark and “Shequyisheng” (社區醫生) trademark, which will be paid in 2013, 2014 and 2015, respectively.