

## **OVERVIEW**

Following the Listing, we will continue to have certain transactions that constitute connected transactions and continuing connected transactions under the Listing Rules. We set out below a summary of these connected transactions. All these transactions are exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EXEMPT CONNECTED TRANSACTIONS**

### **1. Shareholder Loan from Mr. Yuen to Pioneer Ruici**

Mr. Yuen is a connected person of our Company by virtue of being a director of each of Pioneer Singapore, Pioneer Medical (HK) and Pioneer Medident, and a substantial shareholder of each of Pioneer Medical (HK) and Pioneer Medident.

#### *Loan Agreement*

Mr. Yuen lent to Pioneer Ruici a shareholder loan of RMB0.2 million on 15 May 2012 and a further shareholder loan of RMB0.2 million on 13 August 2012. On 31 May 2013, Mr. Yuen and Pioneer Ruici entered into a loan agreement (the "**Loan Agreement I**") which recorded that Mr. Yuen has lent a shareholder loan in a total amount of RMB0.4 million to Pioneer Ruici. The shareholder loan is for a period of five years and repayable on 13 August 2017, and bears no interest. The loan will, upon Listing, constitute an exempted continuing connected transaction.

#### *Listing Rules Implications*

The Directors are of the view that the shareholder loan from Mr. Yuen, being a form of financial assistance (as defined by the Listing Rules) provided by Mr. Yuen for our benefit, is on normal and commercial terms (or better to the Group) where no security over our Company's assets is granted in respect of such financial assistance, and as such, the shareholder loan will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules. Besides, each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules of the Loan Agreement I for 2012, and the three years ending 31 December 2015 on an annual basis was, and is, less than 0.1%, therefore such continuing connected transaction is also a de minimis transaction exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(2) of the Listing Rules.

### **2. Shareholder Loan from Mr. Yang to Pioneer Ruici**

Mr. Yang is a connected person of our Company by virtue of being a director and a substantial shareholder of Pioneer Ruici.

#### *Loan Agreement*

Mr. Yang lent to Pioneer Ruici a shareholder loan of RMB30,000 on 3 May 2012 and a further shareholder loan of RMB30,000 on 13 August 2012. On 28 May 2013, Mr. Yang and Pioneer Ruici entered into a loan agreement (the "**Loan Agreement II**") which recorded that Mr. Yang has lent a shareholder loan in a total amount of RMB60,000 to Pioneer Ruici. The shareholder loan is for a period of five years and repayable on 13 August 2017, and bears no interest. The loan will, upon Listing, constitute an exempted continuing connected transaction.

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## CONNECTED TRANSACTIONS

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### *Listing Rules Implications*

The Directors are of the view that the shareholder loan from Mr. Yang, being a form of financial assistance (as defined by the Listing Rules) provided by Mr. Yang for our benefit, is on normal and commercial terms (or better to the Group) where no security over our Company's assets is granted in respect of such financial assistance, and as such, the shareholder loan will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules. Besides, each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules of the Loan Agreement II for 2012, and the three years ending 31 December 2015 on an annual basis was, and is, less than 0.1%, therefore such continuing connected transaction is also a de minimis transaction which is exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(2) of the Listing Rules.

### **EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **3. Lease of Vehicles from Pioneer Pharma**

Pioneer Pharma is a connected person of our Company since it is majority owned by Mr. Li, our Chairman, an executive Director, our chief executive officer and one of our Controlling Shareholders. Pioneer Pharma was the principal operating entity of the Group's business prior to the Reorganisation and was excluded from our Group as a part of the Reorganisation. Please see the section headed "History and Reorganisation — Reorganisation" of this prospectus for details of the Reorganisation.

#### *Lease Agreement*

Pursuant to a vehicle lease agreement (the "**Lease Agreement**") entered into on 6 June 2013 between Naqu Pioneer and Pioneer Pharma, Pioneer Pharma leases two vehicles to Naqu Pioneer for a monthly rental of RMB3,000 per vehicle. The term of the Lease Agreement is for a period of three years commencing 1 July 2013 and ending 30 June 2016. As this transaction will continue after Listing, it will constitute continuing connected transaction for our Company upon Listing.

#### *Listing Rules Implications*

As each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules for the Lease Agreement for the three years ending 31 December 2015 on an annual basis is less than 0.1%, such continuing connected transaction is a de minimis transaction which is exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

#### **4. Lease of Office Premises from Pioneer Pharma**

Pioneer Pharma is a connected person of our Company for the reason set out in transaction 3 above.

#### *Tenancy Agreement I*

Pursuant to a tenancy agreement (the "**Tenancy Agreement I**") entered into on 6 June 2013 between Naqu Pioneer and Pioneer Pharma, Pioneer Pharma leases certain office premises at Rooms 2102-2202 and 2103-2203, Block C, World Trade Centre, No. 2 World Trade East Road, Haikou, Hainan province, the PRC with a gross floor area of 1,289.08 sq.m. to Naqu Pioneer as office premises

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## CONNECTED TRANSACTIONS

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for a monthly rental of RMB15,000. The term of the Tenancy Agreement I is for a period of three years commencing 1 July 2013 and ending 30 June 2016. As this transaction will continue after Listing, it will constitute continuing connected transaction for our Company upon Listing.

### *Listing Rules Implications*

As each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules for the Tenancy Agreement I for the three years ending 31 December 2015 on an annual basis is less than 0.1%, such continuing connected transaction is a de minimis transaction which is exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

### **5. Lease of Head Office from Xinzhou Investment**

Xinzhou Investment is a connected person of our Company since it is owned as to 60% by Mr. Li and 40% by Mrs. Li, each a Controlling Shareholder.

### *Tenancy Agreement II*

During the Track Record Period, we rented from XinZhou Investment a building located at No. 1000, Wangqiao Road, Pudong New District, Shanghai with a gross floor area of 2,229.61 sq.m. (the "**Building**") as our head office for nil consideration starting from September 2012. We decided to continue to rent this building from Xinzhou Investment and therefore, Naqu Pioneer and Xinzhou Investment entered into a tenancy agreement (the "**Tenancy Agreement II**") on 19 June 2013 pursuant to which Xinzhou Investment leases the Building to Naqu Pioneer for a monthly rental of RMB50,000. The term of the Tenancy Agreement is for a period of three years commencing 1 July 2013 and ending 30 June 2016. As this transaction will continue after Listing, it will constitute continuing connected transaction for our Company upon Listing.

### *Listing Rules Implications*

As each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules for the Tenancy Agreement II for the three years ending 31 December 2015 on an annual basis is less than 0.1%, such continuing connected transaction is a de minimis transaction which is exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

## **DIRECTORS' CONFIRMATION**

Our Directors (including the independent non-executive Directors) confirmed that the above continuing connected transactions have been entered into in the ordinary and usual course of our Group's business, on normal commercial terms or on terms no less favourable to our Company than those available to or from (as appropriate) independent third parties, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

## **ANTICIPATED FUTURE CONTINUING CONNECTED TRANSACTIONS**

### **1. Promotion Partner Agreement with Mr. Zhang Wenbin ("Mr. Zhang")**

According to a promotion partner agreement dated 12 October 2011 entered into between Mr. Zhang and Pioneer Pharma and a supplemental agreement dated 1 January 2013 pursuant to which Pioneer Pharma assigns its rights and liabilities under the promotion partner agreement to Naqu

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## CONNECTED TRANSACTIONS

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Pioneer (the “**Promotion Partner Agreements**”), we appointed Mr. Zhang as a promotion partner of Easyhaler products in the Jiangsu and Beijing areas of the PRC. The term of the Promotion Partner Agreements is seven years commencing 12 October 2011 and ending 11 October 2018 and a licensing fee of RMB5 million is payable by Mr. Zhang. As of 30 June 2013, we had received deposits of RMB2 million as part of the payment of the licensing fee from Mr. Zhang under the Promotion Partner Agreements.

Mr. Zhang, being a non-executive Director, is a connected person of our Company and the above transaction between Mr. Zhang and us would constitute a continuing connected transaction for our Company upon Listing. Since the actual promotion activities under the Promotion Partner Agreements will only start after we win the tender for selling the relevant Easyhaler products in Jiangsu and Beijing areas organised by local governments and it is uncertain when such public tenders will be held, we are currently not able to assess the expected transaction volumes. We will however comply with all the relevant requirements under Chapter 14A of the Listing Rules as and when appropriate, including disclosure and obtain prior independent shareholders’ approval if applicable.

### **2. Purchase of Pharmaceutical Products from Hainan San Feng You Ltd. (海南三風友製藥有限公司) (“San Feng You”)**

During the Track Record Period, Pioneer Pharma, the principal operating entity of our Group before Reorganisation, entered into an agreement (the “**Procurement Agreement**”) on 13 July 2012 with San Feng You, a company controlled by Mr. Li’s brother, Mr. Li Jin. Pursuant to the Procurement Agreement, Pioneer Pharma purchased certain pharmaceutical products from San Feng You and the aggregate purchase amount for the year ended 31 December 2012 was approximately RMB0.5 million. For the six months ended 30 June 2013, our purchase from San Feng You was nil. The Procurement Agreement was terminated on 15 June 2013 pursuant to a termination agreement dated 6 June 2013. Since San Feng You is a connected person of our Company, any future transactions between San Feng You and our Group upon Listing would constitute connected transactions. Following Listing, if we purchase any pharmaceutical products from San Feng You, we will comply with all the relevant requirements under Chapter 14A of the Listing Rules as and when appropriate, including disclosure and obtain prior independent shareholders’ approval if applicable.