

---

## CONNECTED TRANSACTIONS

---

### OVERVIEW

We have entered into a number of continuing agreements with our connected persons in our ordinary and usual course of business. Upon Listing, the transactions disclosed under this section will constitute continuing connected transactions of the Company under the Listing Rules.

The historical amounts disclosed for the financial years ended December 31, 2013 and 2014 and 2015 in respect of the continuing connected transactions in this section constitute only a portion of the amounts disclosed in respect of transactions with related parties for the financial years ended December 31, 2013 and 2014 and 2015 in Note 32 to the financial information in the Accountant's Report set forth in Appendix I to this prospectus. The remaining portion of the amounts disclosed in Note 32 to the financial information in the Accountant's Report is attributable to transactions between members of our Group and associates of Mr. Li that will not continue after the Listing and therefore do not constitute continuing connected transactions requiring disclosure in this section.

### CONNECTED PERSONS

The following persons, among others, will be our connected persons upon Listing:

- Mr. Li, an executive Director and a substantial shareholder and hence our connected person;
- Ms. Ma, a substantial shareholder (through acting in concert with Mr. Li) and the spouse of Mr. Li, and hence our connected person; and
- Shanghai Yushuo Investment and its subsidiaries. Shanghai Yushuo Investment is owned by Mr. Li as to 90% and Ms. Ma as to 10% and is therefore an associate of Mr. Li and hence our connected person. The following subsidiaries of Shanghai Yushuo Investment (collectively, the “**Yushuo Group**”) will continue to enter into transactions with our Group after the Listing:

(a) Shanghai Yupei Industry

Shanghai Yupei Industry is a direct wholly-owned subsidiary of Shanghai Yushuo Investment and is therefore an associate of Mr. Li and our connected person.

(b) Shanghai Yupei Specialty Building Materials Co., Ltd. (上海宇培特種建材有限公司) (“**Shanghai Yupei Specialty Building Materials**”)

Shanghai Yupei Specialty Building Materials is a direct wholly-owned subsidiary of Shanghai Yushuo Investment and is therefore an associate of Mr. Li and our connected person.

---

## CONNECTED TRANSACTIONS

---

- (c) Shanghai Yupei E-commerce Company Limited (上海宇培電子商務有限公司) (“**Shanghai Yupei E-commerce**”)

Shanghai Yupei E-commerce is an indirect wholly-owned subsidiary of Shanghai Yushuo Investment and is therefore an associate of Mr. Li and our connected person.

- (d) Shanghai Yupei Construction Engineering Company Limited (上海宇培建設工程有限公司) (“**Shanghai Yupei Construction**”)

Shanghai Yupei Construction is a subsidiary of Shanghai Yushuo Investment and is owned as to 53.33% by Shanghai Yushuo Investment and as to 34.66% by Shanghai Yupei Industry. It is therefore an associate of Mr. Li and hence our connected person. Shanghai Yupei Construction is principally engaged in investment holding.

- (e) Shanghai Yupei Express Logistics Company Limited (上海宇培速通物流有限公司) (“**Shanghai Yupei Express Logistics**”)

Shanghai Yupei Express Logistics is an indirect wholly-owned subsidiary of Shanghai Yushuo Investment and is therefore an associate of Mr. Li and our connected person.

Accordingly, the following transactions with the Yushuo Group, which will continue after the Listing, will constitute continuing connected transactions with members of our Group under Chapter 14A of the Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below the property leasing transactions between the relevant members of our Group as the lessor and each of Shanghai Yupei Specialty Building Materials, Shanghai Yupei E-commerce, Shanghai Yupei Construction and Shanghai Yupei Express Logistics as the lessee. Since Shanghai Yupei Specialty Building Materials, Shanghai Yupei E-commerce, Shanghai Yupei Construction and Shanghai Yupei Express Logistics became connected persons of our Company by virtue of their relationship with Mr. Li, and our transactions with these entities, being leasing of premises, are of a similar nature, will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the transactions with each of these entities are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14 of the Listing Rules. The transactions, as aggregated, where at least one of the relevant “percentage ratios” (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as the Directors currently expect, be, on an annual basis, more than 5%. The transactions will be subject to the annual reporting, annual review, announcement, circular (including independent financial advice) and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

---

## CONNECTED TRANSACTIONS

---

### Property Lease Agreements with the Yushuo Group

**Parties:**

Each of:

- (a) Shanghai Yupei;
- (b) Wuhu Yupei Warehousing; and
- (c) Suzhou Yupei Warehousing,

being the subsidiaries of the Group, as the lessor;

and each of:

- (d) Shanghai Yupei Specialty Building Materials;
- (e) Shanghai Yupei E-commerce;
- (f) Shanghai Yupei Construction; and
- (g) Shanghai Yupei Express Logistics,

being members of the Yushuo Group, as the lessee.

**Principal Terms:**

In the ordinary course of business, Shanghai Yupei, Wuhu Yupei Warehousing and Suzhou Yupei Warehousing separately entered into seven property lease agreements with the following members of the Yushuo Group:

- *Shanghai Yupei Specialty Building Materials*. Pursuant to a lease dated December 25, 2015, Shanghai Yupei Specialty Building Materials agreed to rent 4/F of the office building, a factory building, four dormitory buildings and the first floor of a two-storey factory building located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC with a total GFA of 18,154.71 sq.m. from Shanghai Yupei (the “**Shanghai Yupei Specialty Building Materials Lease**”).
- *Shanghai Yupei E-commerce*. Pursuant to a lease dated December 25, 2015, Shanghai Yupei E-commerce agreed to rent offices and warehouses with a total GFA of 3,500 sq.m. located at part of 1/F, and 3/F of the office building at 1000 Xiechun Road, Jiading District, Shanghai, the PRC from Shanghai Yupei (the “**Shanghai Yupei E-commerce Lease**”).

---

## CONNECTED TRANSACTIONS

---

- *Shanghai Yupei Construction*. Pursuant to a lease dated December 25, 2015, Shanghai Yupei Construction agreed to rent offices and warehouses with a total GFA of 2,500 sq.m. located at part of 2/F, and 5/F and 6/F of the office building at 1000 Xiechun Road, Jiading District, Shanghai, the PRC from Shanghai Yupei (the “**Shanghai Yupei Construction Lease**”).
  
- *Shanghai Yupei Express Logistics*. Shanghai Yupei Express Logistics agreed to respectively rent separate areas of:
  - (a) (1) offices and warehouses with a total GFA of 9,428 sq.m. located at 1/F and part of 2/F of the office building and the second floor of a two-storey factory building from January 1, 2016 to March 31, 2016; and (2) warehouses with a total GFA of 5,030.33 sq.m. located at the second floor of a two-storey factory building from April 1, 2016 to December 31, 2018, all located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC from Shanghai Yupei pursuant to a lease dated December 25, 2015 (the “**Shanghai Yupei Express Logistics Lease 1**”);
  
  - (b) offices, warehouses and certain covered area with a total GFA of 25,603.90 sq.m. at warehouse number 1, units A, B, C and D located at the intersection of S321 Provincial Road and E’xi Road, Sanshan Economic Development Zone, Wuhu, Anhui Province, the PRC from Wuhu Yupei Warehousing pursuant to a lease dated December 15, 2015 (the “**Shanghai Yupei Express Logistics Lease 2**”);
  
  - (c) offices, warehouses and certain covered area with a total GFA of 10,271.00 sq.m. at warehouse number 1, 1/F, offices at unit A, and units B and C, located at 515 East Cuiwei Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC from Suzhou Yupei Warehousing pursuant to a lease dated December 25, 2015 (the “**Shanghai Yupei Express Logistics Lease 3**”); and

## CONNECTED TRANSACTIONS

- (d) six units at a dormitory building with a total GFA of 180 sq.m. located at 28 Hengxinjing Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC from Suzhou Yupei Warehousing pursuant to a lease dated December 20, 2015 (the “Shanghai Yupei Express Logistics Lease 4”).

The annual transaction amounts for the above leased areas are set out below:

<b>Amount payable by the relevant members of the Yushuo Group, being rental and property management fees (as the case may be), for the year ending December 31,</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>(RMB in thousands)</b>			
<b>Total for:</b>			
(i) Shanghai Yupei Specialty Building Materials Lease .....	5,632.5	5,801.5	5,975.5
(ii) Shanghai Yupei E-commerce Lease .....	1,085.9	1,118.5	1,152.0
(iii) Shanghai Yupei Construction Lease .....	775.6	798.9	822.9
(iv) Shanghai Yupei Express Logistics Lease 1 .....	1,901.8 <sup>(1)</sup>	1,607.5	1,655.7
(v) Shanghai Yupei Express Logistics Lease 2 .....	5,179.0	5,365.7	5,555.5
(vi) Shanghai Yupei Express Logistics Lease 3 .....	3,108.5	3,217.8	3,328.3
(vii) Shanghai Yupei Express Logistics Lease 4 .....	36.0	36.0	36.0
<b>Sub-total: .....</b>	<b><u>17,719.4</u></b>	<b><u>17,945.8</u></b>	<b><u>18,525.8</u></b>

*Note:*

- (1) The area of the relevant leased properties was larger during the period from January 1, 2016 to March 31, 2016 under Shanghai Yupei Express Logistics Lease 1. As a result, in the year ending December 31, 2016, the monthly rental payable under Shanghai Yupei Express Logistics Lease 1 from January 1, 2016 to March 31, 2016 was higher than that from April 1, 2016 to December 31, 2016. For the same reason, the amount payable for the years ending 2017 and 2018 is also lower than that for the year ending 2016 despite the annual 3% increment in rental.

---

## CONNECTED TRANSACTIONS

---

The terms of all the above lease agreements are three financial years commencing on January 1, 2016 and ending on December 31, 2018.

No property management fee is payable under each of the Shanghai Yupei Specialty Building Materials Lease, Shanghai Yupei E-commerce Lease, Shanghai Yupei Construction Lease, Shanghai Yupei Express Logistics Lease 1 and Shanghai Yupei Express Logistics Lease 4. Under Shanghai Yupei Express Logistics Lease 2 and Shanghai Yupei Express Logistics Lease 3, property management fees are payable by Shanghai Yupei Express Logistics as lessee for property management services provided to each of the two relevant leased properties. Other charges arising from the actual usage of each of the premises, mainly utilities charges, are to be borne by the relevant member of the Yushuo Group as the lessee under all the above lease agreements.

No rental deposit is payable by the relevant lessee under each of the Shanghai Yupei Specialty Building Materials Lease, Shanghai Yupei E-commerce Lease, Shanghai Yupei Construction Lease and Shanghai Yupei Express Logistics Lease 1, and there are no specific provisions in relation to procedures for lease renewal in each of these lease agreements. The parties to these lease agreements will therefore have to re-negotiate for renewal if they wish to renew the leases.

Under Shanghai Yupei Express Logistics Lease 2, Shanghai Yupei Express Logistics Lease 3 and Shanghai Yupei Express Logistics Lease 4, a rental deposit equivalent to the total rental and property management fees (as the case may be) over the initial three-month period under each relevant lease is payable by the lessee and may be returned upon the expiration of the lease, subject to any forfeiture or deduction by the lessor as a result of default on the part of the lessee.

Under Shanghai Yupei Express Logistics Lease 2 and Shanghai Yupei Express Logistics Lease 3, Shanghai Yupei Express Logistics as the lessee is required to serve a written notice to the relevant lessor at least six months prior to the expiration of the lease expressing its intention to renew the lease. Any renewed lease shall be substantially on the same terms as the expired lease and the new rental shall be determined in accordance with market conditions, but in any event shall not be less than the pre-existing rental. Under Shanghai Yupei

---

## CONNECTED TRANSACTIONS

---

Express Logistics Lease 4, Shanghai Yupei Express Logistics as the lessee is required to serve a written notice to the relevant lessor three months prior to the expiration of the lease expressing its intention to renew the lease. Shanghai Yupei Express Logistics has a right of first renewal on the same lease terms, save for the new rental which shall be adjusted based on market conditions.

### **Pricing Policy:**

The rentals under the property lease agreements payable to our Group represent the prevailing market rentals of similar office and warehouse spaces, factory buildings and dormitory buildings in neighboring areas based on available property rental market comparables and as negotiated and agreed by the parties on an arm's length basis.

The annual rentals payable under the Shanghai Yupei Specialty Building Materials Lease, the Shanghai Yupei E-commerce Lease, the Shanghai Yupei Construction Lease and Shanghai Yupei Express Logistics Lease 1 were determined with reference to the actual GFA of each of the leased properties and the potential increase in the value of such properties, starting at a comparable market rental of RMB0.85 per sq.m. per day and subject to an annual 3% increment in each case.

The monthly rental under Shanghai Yupei Express Logistics Lease 2 is halved in July and August each year, which in effect provides for an annual one-month rent-free period. The annual rentals were determined with reference to the actual GFA of the leased properties and the potential increase in the value of such properties, starting at a comparable market rental of RMB0.54 per sq.m. per day and subject to an annual 3% increment; while property management fees were determined with reference to the nature and use of the leased properties, starting at RMB1.8 per sq.m. per month and subject to an annual 3% increment.

The monthly rental under Shanghai Yupei Express Logistics Lease 3 is halved in October and November each year, which in effect provides for an annual one-month rent-free period. The annual rentals were determined with reference to the actual GFA of the leased properties and the potential increase in the value of such properties, starting at a comparable market rental of RMB0.84 per sq.m. per day and subject to an annual 3% increment; while property management fees were determined with reference to the nature and use of the leased properties, starting at RMB1.8 per sq.m. per month and subject to an annual 3% increment.

---

## CONNECTED TRANSACTIONS

---

The annual rentals payable under the Shanghai Yupei Express Logistics Lease 4 were determined with reference to the nature and GFA of the leased dormitory units, and having considered the small GFA and market rental of such properties, each of the dormitory units with a GFA of 30 sq.m. is subject to a fixed monthly rental of RMB500 per unit over the term of the lease.

**Reasons for the Transactions:**

Our Group operates the business of developing, leasing and managing logistics facilities, among which includes the provision of warehouse space. On the other hand, members of the Yushuo Group operates businesses which require office and warehouse space to facilitate their operations, namely the storage of raw materials and trade commodities such as construction materials, e-commerce goods, materials for construction and decoration projects and ordinary goods; as well as for logistics purposes and office use. Certain small areas near the leased office and warehouse spaces are also rented to act as accommodation for relevant employees. As such, our Directors are of the view that the continuous leasing of the properties to members of the Yushuo Group is in line with our business of leasing and managing logistics facilities, and it is beneficial to our Group to continue to lease these properties to members of the Yushuo Group at prevailing market rates.



## CONNECTED TRANSACTIONS

### Historical Figures:

The historical figures of the total amount of rentals paid to our Group by members of the Yushuo Group are set out below:

	<b>Historical Transaction Amount for the Year Ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>(RMB in thousands)</b>		
Total from:			
(i) Shanghai Yupei Specialty Building Materials	1,289.3 <sup>(1)</sup>	3,715.4 <sup>(2)</sup>	5,632.5 <sup>(3)</sup>
(ii) Shanghai Yupei E-commerce <sup>(4)</sup>	–	633.4	1,085.9
(iii) Shanghai Yupei Construction <sup>(5)</sup>	–	452.4	775.6
(iv) Shanghai Yupei Express Logistics <sup>(6)</sup>	–	1,706.3	2,925.0
(v) Shanghai Yupei Express Logistics <sup>(7)</sup>	–	–	2,587.7
(vi) Shanghai Yupei Express Logistics <sup>(8)</sup>	–	–	830.7
(vi) Shanghai Yupei Express Logistics <sup>(9)</sup>	–	–	9.0

*Notes:*

(1) Represents the rental paid for the properties leased by Shanghai Yupei Specialty Building Materials from Shanghai Yupei during the year ended December 31, 2013 under separate leases, namely, (a) a factory building comprising part of division no. 1, 1/F and 2/F of division no. 2 and division no. 6 (save for a two-storey warehouse) with a total GFA of 6,255 sq.m.; and (b) 7 units at a dormitory building with a total GFA of 210 sq.m.; all situated at 1000 Xiechun Road, Jiading District, Shanghai, the PRC.

(2) Represents the rental paid for the properties leased by Shanghai Yupei Specialty Building Materials from Shanghai Yupei during the year ended December 31, 2014, namely, (a) a factory building comprising part of division no. 1, 1/F and 2/F of division no. 2 and division no. 6 (save for a two-storey warehouse) with a total GFA of 6,255 sq.m. from January 1, 2014 to April 30, 2014; (b) 4/F of the office building, a factory building, four dormitory buildings and the first floor of a two-storey factory building with a total GFA of 18,154.71 sq.m. (same leased area as in the Shanghai Yupei Specialty Building Materials Lease) commencing from June 1, 2014; and (c) 7 units at a dormitory building with a total GFA of 210 sq.m.; all located at 1000 Xiechun Road, Jiading District, Shanghai, the PRC.

---

## CONNECTED TRANSACTIONS

---

- (3) *Represents the rental paid for the same leased area as in the Shanghai Yupei Specialty Building Materials Lease.*
- (4) *Represents the rentals paid for the same leased area as in the Shanghai Yupei E-commerce Lease. Leasing of the properties only commenced from June 1, 2014.*
- (5) *Represents the rentals paid for the same leased area as in the Shanghai Yupei Construction Lease. Leasing of the properties only commenced from June 1, 2014.*
- (6) *Represents the rentals paid for the same leased area as in the Shanghai Yupei Express Logistics Lease 1. Leasing of the properties only commenced from June 1, 2014.*
- (7) *Represents the amount paid for the same leased area as in Shanghai Yupei Express Logistics Lease 2. Leasing of the properties only commenced from July 1, 2015. Shanghai Yupei Express Logistics agreed to bear the value-added tax payable by our Group pursuant to the parties' agreements by then, thus the historical transaction amount included value-added tax payable by Wuhu Yupei Warehousing as lessor.*
- (8) *Represents the amount paid for the same leased area as in Shanghai Yupei Express Logistics Lease 3. Leasing of the properties only commenced from October 1, 2015. Shanghai Yupei Express Logistics agreed to bear the value-added tax payable by our Group pursuant to the parties' agreements by then, thus the historical transaction amount included value-added tax payable by Suzhou Yupei Warehousing as lessor.*
- (9) *Represents the amount paid for the same leased area as in Shanghai Yupei Express Logistics Lease 4. Leasing of the properties only commenced from October 1, 2015.*

### **Annual Caps:**

The maximum aggregate annual rentals payable by relevant members of the Yushuo Group under the property lease agreement stated above under the subsection headed "Property Lease Agreements with the Yushuo Group – Principal terms" shall constitute the annual caps for such continuing connected transactions for each of the years ending December 31, 2016, 2017 and 2018.

### **Basis of Caps:**

The above annual caps have been determined with reference to the maximum annual rentals and annual property management fees (as the case may be) payable by relevant members of the Yushuo Group under the respective property lease agreements, which were in turn determined with reference to the actual GFA, potential increase in market value, and the nature and use of each of the leased properties, after negotiation with each member of the Yushuo Group on an arm's length basis.

---

## CONNECTED TRANSACTIONS

---

### **Independent Property Valuer's**

#### **View:**

We have engaged Colliers, an independent professional property valuer, to review the property lease agreements and also inspect the relevant properties. After conducting market research on the leasing market in the PRC and collected some asking rental evidence of comparable properties in the locality as well as similar locations and having analyzed the market information available, Colliers, having considered the 3% increment in annual rental for the above leases (save for Shanghai Yupei Express Logistics Lease 4), the fact that there is no increment in annual rental throughout the three years' lease term under Shanghai Yupei Express Logistics Lease 4, as well as the rent-free period and 3% increment in annual property management fees under Shanghai Yupei Express Logistics Lease 2 and Shanghai Yupei Express Logistics Lease 3, is of the opinion that the rental and property management fees (as the case may be) payable under the property lease agreements and the rent-free period are fair and reasonable to our Group and consistent with the prevailing market levels or practice for rental properties of similar status in similar locations as of the date of execution.

### **APPLICATION FOR WAIVER**

In respect of the transactions described in “– Non-exempt Continuing Connected Transactions” above, as at least one of the relevant “percentage ratios” (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, on an annual basis, be expected to be more than 5%, the transactions, as aggregated, are subject to the annual reporting and announcement requirements as set out in Rules 14A.49 and 14A.35 of the Listing Rules, the annual review requirements as set out in Rules 14A.55 to 14A.59 and 14A.71(6) of the Listing Rules and the circular and independent Shareholders' approval and related requirements as set out in Rules 14A.36, 14A.46 and 14A.53(3) of the Listing Rules.

As described above, we expect these non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement, circular and independent Shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements relating to the continuing connected transactions under Rules 14A.35, 14A.36, 14A.46 and 14A.53(3) of the Listing Rules in respect of the transactions described in “– Non-exempt Continuing Connected Transactions”.

We will, however, comply at all times with the applicable provisions under Rules 14A.34, 14A.49, 14A.51 to 14A.59 and 14A.71 of the Listing Rules in respect of these non-exempt continuing connected transactions.

---

## CONNECTED TRANSACTIONS

---

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

### **DIRECTORS' VIEW**

Our Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions described in this section, which have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, and that the terms of these continuing connected transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are also of the opinion that the proposed annual caps set out above for the continuing connected transactions as described in this section are fair and reasonable and in the interest of the Shareholders as a whole.

Mr. Li, as the conflicted Director, should be required to be absent from participation and abstain from voting in the Board meetings at which resolutions in relation to these continuing connected transactions are discussed.

### **JOINT SPONSORS' VIEW**

Based on the review of the relevant lease agreements and after considering the views of the Directors and independent property valuer, Colliers, on the continuing connected transactions as described in this section, the Joint Sponsors are of the view that:

- (i) the continuing connected transactions as described in this section have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and that the terms of these continuing connected transactions are fair and reasonable and in the interest of the Shareholders as a whole; and
- (ii) the proposed annual caps for the continuing connected transactions as described in this section are fair and reasonable and in the interests of the Shareholders as a whole.