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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Mr. Li is the founder of our Company. Ms. Ma is the spouse of Mr. Li, and Mr. Li and Ms. Ma have been acting in concert when exercising their shareholders' rights in our Company since its establishment. They have always been in consensus and in agreement when exercising their shareholders' rights in passing shareholders' resolutions of our Company. As of the Latest Practicable Date, Mr. Li and Ms. Ma together, through Yupei International Investment Management (which is owned as to 90% and 10% respectively by Mr. Li's and Ms. Ma's respective holding companies, Lee International Investment Management and Lee Asset Management), are collectively entitled to exercise voting rights of approximately 98.20% of the total issued share capital of our Company. Immediately following the completion of the Global Offering (assuming that the Global Offering is conducted at the mid-point of the Offer Price range, the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme), Mr. Li and Ms. Ma will, indirectly and beneficially, collectively be entitled to exercise voting rights of approximately 26.55% of the total issued share capital of our Company. Since each of our Controlling Shareholders, namely Mr. Li, Ms. Ma, Lee International Investment Management, Lee Asset Management and Yupei Investment Management, will hold less than 30% of our outstanding Shares following the completion of the Global Offering, none of them will be our controlling shareholder as defined under the Listing Rules upon Listing despite the fact that each of them is referred to as a "Controlling Shareholder" in this prospectus. Mr. Li and Ms. Ma together, through Yupei International Investment Management, will be our single largest Shareholder upon the Listing.

### DELINEATION OF BUSINESS

#### Non-Core Businesses

Apart from the Group's business, Mr. Li and Ms. Ma have interests in other businesses including (i) construction contracting (the "**Construction Contracting Business**"); (ii) production and sales of construction materials (the "**Construction Materials Business**"); (iii) e-commerce and logistics (the "**E-commerce and Logistics Business**"); (iv) property maintenance (the "**Property Maintenance Business**") and (v) residential and commercial property development (the "**Residential and Commercial Property Development Business**") ((i) to (v) together, the "**Non-core Businesses**"). The Non-core Businesses are operated through certain companies indirectly owned and controlled by, among others, Mr. Li as well as certain subsidiaries of Shanghai Yushuo Investment. These companies are all excluded from our Group.

The core business of our Group focuses on the development, leasing and management of an extensive network of premium logistics facilities in China. The Non-core Businesses were not injected into our Group as part of our Reorganization as such businesses, in the view of our Directors, neither form part of our core business nor are in line with our strategy to strengthen our national network of premium logistics facilities. Our Controlling Shareholders currently have no intention to inject the Non-core Businesses into our Group after the Global Offering. Our Directors are of the view that our operations are independent of and separate from the Non-core Businesses, and that there is a clear delineation between the Non-core Businesses and our business. In light of

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the different nature of our business and the Non-core Businesses, our Directors do not expect there to be any overlap or competition of the Non-core Businesses and our Group's business after the Listing.

### *Construction Contracting Business*

The Construction Contracting Business is operated by three companies, details of which are set forth below:

Name of Excluded Companies	Place of Incorporation and Shareholding Structure	Establishment Date and Date of Commencement of Business	Registered Capital	Principal Business Activities
Nanling Yupei Construction and Decoration Engineering Company Limited (南陵縣宇培建築裝飾工程有限公司)	PRC; owned as to 90% by Shanghai Yupei Construction and Decoration Engineering Company Limited (上海宇培建築裝飾工程有限公司) (“ <b>Shanghai Yupei Construction and Decoration</b> ”), a company wholly-owned by Shanghai Yushuo Investment, and 10% by Ms. Li Qing (李慶), our executive Director and vice-president	December 6, 2010	RMB1,000,000	Building construction; building decoration
Xuancheng Yupei Construction and Decoration Engineering Company Limited (宣城宇培建築裝飾工程有限公司)	PRC; wholly-owned by Shanghai Yupei Construction and Decoration	August 28, 2012	RMB1,000,000	Building construction; building decoration
Wuhu Yushi Construction and Decoration Engineering Company Limited (蕪湖宇實建築裝飾工程有限公司)	PRC; owned as to 95% by Shanghai Yupei Construction and Decoration and 5% by Ms. Li Qing (李慶), our executive Director and vice-president	November 18, 2013	RMB1,000,000	Building construction; building decoration

The Construction Contracting Business is primarily engaged in construction and decoration projects for residential and commercial properties. Nanling Yupei Construction and Decoration

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Engineering Company Limited, Xuancheng Yupei Construction and Decoration Engineering Company Limited and Wuhu Yushi Construction and Decoration Engineering Company Limited serve mostly real estate developers for properties located in Anhui Province.

### *Construction Materials Business*

The Construction Material Business is operated by Shanghai Yupei Specialty Building Materials Company Limited (上海宇培特種建材有限公司), details of which are set forth below:

Name of Excluded Company	Place of Incorporation and Shareholding Structure	Establishment Date and Date of Commencement of Business	Registered Capital	Principal Business Activities
Shanghai Yupei Specialty Building Materials Company Limited (上海宇培特種建材有限公司)	PRC; wholly-owned by Shanghai Yushuo Investment	March 26, 2004	RMB35,000,000	Production and sale of environmentally-friendly coatings, putty, and thermal insulation materials

The Construction Materials Business comprises the production and sale of environmentally-friendly coatings for external and internal building walls. Shanghai Yupei Specialty Building Materials Company Limited is engaged in the production and sale of other construction materials for building walls, such as putty and thermal insulation materials. Major customers of its products are real estate developers which are primarily engaged in residential and commercial property projects.

### *E-commerce and Logistics Business*

The E-commerce and Logistics Business is operated by seven companies, details of which are set forth below:

Name of Excluded Companies	Place of Incorporation and Shareholding Structure	Establishment Date and Date of Commencement of Business	Registered Capital	Principal Business Activities
Anhui Yupei E-commerce Company Limited (安徽宇培電子商務有限公司)	PRC; wholly-owned by Shanghai Yushuo Investment	June 16, 2014	RMB100,000,000	E-commerce for agricultural products
Shanghai Yupei E-commerce Company Limited (上海宇培電子商務有限公司)	PRC; wholly-owned by Anhui Yupei E-commerce Company Limited (安徽宇培電子商務有限公司)	April 16, 2014	RMB200,000,000	E-commerce for agricultural products

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Name of Excluded Companies	Place of Incorporation and Shareholding Structure	Establishment Date and Date of Commencement of Business	Registered Capital	Principal Business Activities
Wuhu Yupei E-commerce Company Limited (蕪湖宇培電子商務有限公司)	PRC; wholly-owned by Anhui Yupei E-commerce Company Limited (安徽宇培電子商務有限公司)	January 13, 2015	RMB10,000,000	E-commerce for agricultural products
Xuancheng Yupei E-commerce Company Limited (宣城宇培電子商務有限公司)	PRC; wholly-owned by Shanghai Yupei E-commerce Company Limited (上海宇培電子商務有限公司)	June 20, 2012	RMB100,000,000	E-commerce for agricultural products
Anhui Yupei Express Logistics Company Limited (安徽宇培速通物流有限公司)	PRC; wholly-owned by Shanghai Yushuo Investment	July 28, 2014	RMB100,000,000	Cold chain logistics
Wuhan Yupei Express Logistics Company Limited (武漢宇培速通物流有限公司)	PRC; wholly-owned by Anhui Yupei Express Logistics Company Limited (安徽宇培速通物流有限公司)	July 7, 2015	RMB10,000,000	Cold chain logistics
Shanghai Yupei Express Logistics Company Limited (上海宇培速通物流有限公司)	PRC; wholly-owned by Anhui Yupei Express Logistics Company Limited (安徽宇培速通物流有限公司)	April 24, 2014	RMB100,000,000	Cold chain logistics

The E-commerce and Logistics Business comprises an e-commerce platform selling agricultural produce and imported foods that require cold chain logistics and a cold chain logistics network for transportation of the goods sold via the e-commerce platform. The E-commerce and Logistics Business leases logistics facilities from us and then procure the necessary equipment to modify them into cold chain logistics facilities. See “Connected Transactions – Non-exempt Continuing Connected Transactions” for further details of the leasing of the Group’s premises. Customers of the E-commerce and Logistics Business include channel distributors, wholesalers and hotel operators. The E-commerce and Logistics Business generates income from services fees paid by sellers using the E-commerce platforms and fees paid for the cold chain logistics services, including the transportation and storage of goods within the cold chain logistics network.

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### *Property Maintenance Business*

The Property Maintenance Business is operated by Shanghai Yuxin Property Management Co., Ltd. (上海宇欣物業管理有限公司), details of which are set forth below:

Name of Excluded Company	Place of Incorporation and Shareholding Structure	Establishment Date and Date of Commencement of Business	Registered Capital	Principal Business Activities
Shanghai Yuxin Property Management Co., Ltd. (上海宇欣物業管理有限公司)	PRC; wholly-owned by Shanghai Yushuo Investment	December 6, 2013	RMB1,000,000	Property maintenance

The Property Maintenance Business focuses on the provision of security, cleaning, gardening, and repair and maintenance services to residential and commercial properties and receives property maintenance services fees as revenue.

### *Residential and Commercial Property Development Business*

The Residential and Commercial Property Development Business is operated by Wuhu Yudi Property Company Limited (蕪湖宇地置業有限公司) (“**Wuhu Yudi**”), details of which are set forth below:

Name of Excluded Companies	Place of Incorporation and Shareholding Structure	Establishment Date and Date of Commencement of Business	Registered Capital	Principal Business Activities
Wuhu Yudi Property Company Limited (蕪湖宇地置業有限公司)	PRC; owned as to 96.67% by Shanghai Yupei Industry and 3.33% by Mr. Li	April 8, 2010	RMB30,000,000	Development and sale of properties

The Residential and Commercial Property Development Business is engaged in the development and management of residential and commercial properties in the PRC. As of the Latest Practicable Date, Wuhu Yudi is undertaking two projects, namely Nanling Yupei Xingfushiguang Project Phase 1 (南陵宇培幸福時光項目一期) and Nanling Yupei Xingfushiguang Project Phase 2 (南陵宇培幸福時光項目二期). Apart from Nanling Yupei Xingfushiguang Project Phase 1 and Nanling Yupei Xingfushiguang Project Phase 2, no project is planned or under development, nor does Wuhu Yudi have any future business plans regarding acquisition of land or properties or acquisition of companies engaged in a similar business of the Group.

As of the Latest Practicable Date, Nanling Yupei Xingfushiguang Project Phase 1 has a GFA of approximately 146,363.6 sq.m., with 140,263.6 sq.m. for residential use and 2,700 sq.m. for commercial use. Land parcels of a site area of approximately 13,187 sq.m. adjacent to Nanling

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Yupei Xingfushiguang Project Phase 1 were acquired by Wuhu Yudi for the development of Nanling Yupei Xingfushiguang Project Phase 2, the entire area of which is planned for commercial use and which construction has not yet commenced as of the Latest Practicable Date.

In view of the foregoing, our Directors are of the view that the Non-core Businesses do not compete, and are unlikely to compete, either directly or indirectly, with the business of our Group. Pursuant to the Deed of Non-Competition, details of which are set out in the paragraph headed “– Deed of Non-Competition” below, each of our Controlling Shareholders has undertaken not to engage in activities that compete with our core business.

### TWO RETAINED WAREHOUSE PROJECTS

In addition to the Non-core Businesses, Mr. Li and Ms. Ma also collectively indirectly own the entire equity interest in Shanghai Yupei Industry, which operates Yupei Shanghai Northwest Logistics Park (宇培上海西北物流園) (the “**Taopu Project**”) and Yupei Shanghai Jiading Logistics Park (宇培上海嘉定物流園) (the “**Huangdu Project**”) on two leased parcels of land in Shanghai. Logistics facilities developed thereon are leased out (the Taopu Project and the Huangdu Project, are collectively referred to as the “**Two Retained Warehouse Projects**”). The Two Retained Warehouse Projects are wholly and solely operated by Shanghai Yupei Industry.

**Taopu Project.** The Taopu Project is located in Taopu Town, Putuo District, Shanghai. It is currently equipped with warehouses and logistics facilities with an aggregate GFA of approximately 47,437 sq.m. As of the Latest Practicable Date, warehouses and logistics facilities at the Taopu Project were leased out to two independent logistics services companies.

**Huangdu Project.** The Huangdu Project is located in Huangdu Town, Jiading District, Shanghai. It is currently equipped with warehouses and logistics facilities with an aggregate GFA of approximately 59,393 sq.m. As of the Latest Practicable Date, warehouses and logistics facilities at the Huangdu Project were leased out to one independent logistics services company.

As of December 31, 2015, the aggregate asset value of the Two Retained Warehouse Projects was RMB83,803,125, which equaled to 0.77% of the Group’s asset value as of the same date. The Two Retained Warehouse Projects are managed by a different management team responsible for all day-to-day management and operational decisions, and such management team is independent from our Group.

The following table sets out the financial results of the Two Retained Warehouse Projects for the periods indicated:

	For the year Ended December 31,		
	2013	2014	2015
	(in RMB thousands)		
Revenue .....	30,890	31,800	32,040
Gross profit .....	20,420	21,002	20,230
Profit for the year .....	4,180	4,937	6,215

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*Note:*

*The financial results of the Two Retained Warehouse Projects are based on the relevant financial data in the respective unaudited management accounts of the Taopu Project and the Huangdu Project as aggregated and are prepared by the management team of the Two Retained Warehouse Projects.*

Based on the reasons as detailed below, our Directors believe that it is in the best interests of the Group not to inject the Two Retained Warehouse Projects into our Group, and our Controlling Shareholders currently have no intention to inject the Two Retained Warehouse Projects into our Group after the Global Offering.

### **Reasons for exclusion of the Two Retained Warehouse Projects**

Shanghai Yupei Industry is the holding company of various businesses apart from the Two Retained Warehouse Projects, thus Shanghai Yupei Industry will not be injected into our Group. The parcels of land through which such logistics facilities are provided are not self-owned and are each subject to a land lease of 20 years, the expiry date of which, with respect to the Taopu Project, is August 31, 2023, and with respect to the Huangdu Project, is September 15, 2025. According to each of the leases entered into between Shanghai Yupei Industry and the relevant landlord, Shanghai Yupei Industry is not allowed to transfer its interest in the lease to another party without the prior written consent of the landlord. The Two Retained Warehouse Projects could only be injected to our Group if the relevant consents are obtained and if a deed of novation executed between Shanghai Yupei Industry and each of the landlords is procured. Nonetheless, Shanghai Yupei Industry has already approached the respective landlords but both landlords have refused to grant the relevant consents. Furthermore, each of the landlords had indicated that they would not consent to the change of the controlling company of Shanghai Yupei Industry.

In addition, the logistics facilities in the Two Retained Warehouse Projects are leased out to third-party tenants. Even if the consent from the landlord is obtained, it will be necessary for Shanghai Yupei Industry to execute a deed of novation with each of the existing third-party tenants at the Two Retained Warehouse Projects, who may not agree to the arrangement. The process would incur considerable time and administrative costs which would not be financially desirable for the Group.

### **Extent of Competition**

In light of the similar nature of the business of the Two Retained Warehouse Projects and our Group, we believe that while there is actual and potential competition between us and the Two Retained Warehouse Projects, the extent of such competition is limited and immaterial to our Group for the following reasons:

#### *Nature of the Two Retained Warehouse Projects*

The Two Retained Warehouse Projects are situated in different geographical locations from the Group's logistics facilities in Shanghai and are limited to two relatively small areas. Shanghai Yupei

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Industry does not plan to further develop or expand the scale of the Two Retained Warehouse Projects, while the Group has an expanding nationwide logistics facilities portfolio with an extensive geographic reach. As of December 31, 2015, the Group had 59 logistics facilities in operation in 12 logistics parks, located in logistics hubs in eight provinces or centrally administrative municipalities.

Moreover, the target market of the Two Retained Warehouse Projects is within limited areas in Shanghai. In contrast, the Group has detailed plans to continue the rapid expansion of our logistics network and venture into new geographic regions throughout the PRC. In addition to our logistics facilities in operation, our logistics facilities under development occupy considerable GFA. We have also acquired land held for future development and identified investment projects in and surrounding major logistics hubs throughout China. The aggregate GFA of our logistics facilities in operation, our logistics facilities under development, our land held for future development and our investment in our associates is 3,082,342 sq.m. On the other hand, the aggregate GFA of the Two Retained Warehouse Projects equaled to 3.5% of our Group's portfolio of property. Taking into account our long and successful track record of expansion, the GFA of the Two Retained Warehouse Projects relative to our Group's portfolio, is expected to diminish rapidly in light of our Group's continued growth. See "Business – Overview of Our Logistics Facilities Portfolio – Classifications of Our Logistics Parks and Park Projects" for further details on the classification of property projects.

### *No Capacity for Additional Tenants*

As of the Latest Practicable Date, both of the Two Retained Warehouse Projects have been fully leased out and there is no capacity, whether in terms of space and facilities, available for additional tenants. Moreover, existing tenants at the Two Retained Warehouse Projects have been leasing the facilities at the Two Retained Warehouse Projects since July 2010 and November 2013 (with respect to the Taopu Project) and since August 2011 (with respect to the Huangdu Project), pursuant to leases which are typically for a term of two to five years. According to the terms of the existing leases, any premature termination may result in a damages payable by the tenant and hence these tenants are unlikely to seek alternatives to their existing leases in the Two Retained Warehouse Projects in the near future.

### *Market Positioning*

Even if the existing leases with tenants in the Two Retained Warehouse Projects are to expire, the competition with the Group's business, if any, will be minimal as they target different potential tenants. The Two Retained Warehouse Projects were completed in 2005 and 2006 respectively and therefore their existing logistics facilities were not built to modern standards and do not have the benefit of the refined proprietary designs and construction standards we apply to our logistics park projects in recent years. Hence, the Two Retained Warehouse Projects are both much less competitive in terms of facilities and scope of potential tenants, in comparison to the Group's logistics facilities in operation. The existing facilities at the Two Retained Warehouse Projects are more suited to cater for traditional logistics services providers and companies such as manufacturers, and will not be able to satisfy certain specific demands from more sophisticated tenants. On the other hand, the Group has a much wider scope of potential tenants, and it already owns a high quality



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tenant base with a variety of industry backgrounds composed of e-commerce companies, retailers, manufacturers and others and 3PLs.

The Two Retained Warehouse Projects are situated on land which is leased from third parties, whereas all of the Group's projects are situated on self-owned land, in line with the primary focus of the Group to acquire land to develop logistics park projects and to execute a full project development cycle from the assessment stage to operation stage. Therefore, the market positioning of the Two Retained Warehouse Projects differs from that of the Group. Also, according to the terms of the leases entered into between Shanghai Yupei Industry and the respective landlords of the Taopu Project and the Huangdu Project, the landlords will become the owners of the buildings and facilities built by Shanghai Yupei Industry on the leased land when the relevant term of the lease expires. Hence, the scale of improvement of the existing logistics facilities at each of the Two Retained Warehouse Projects, if any, will be lower than that of the Group's projects as the relevant leases are due to expire in August 31, 2023 (with respect of the Taopu Project) and September 15, 2025 (with respect of the Huangdu Project). The nature of the Group's projects gives the Group incentive, more flexibility and greater ability to provide tailored solutions to tenants, and the Group's projects are therefore much more competitive in the market than the Two Retained Warehouse Projects.

Considering the reasons set out above, our Directors are of the view that the extent of competition between the Two Retained Warehouse Projects and our Group, if any, has been and will continue to be limited and minimal.

Save as disclosed above, each of our Controlling Shareholders and Directors confirms that he, she or it does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

### **DEED OF NON-COMPETITION**

To safeguard our Group from any other potential competition, each of our Controlling Shareholders has jointly and severally and irrevocably entered into the Deed of Non-Competition in favor of the Group, pursuant to which our Controlling Shareholders have undertaken to the Group that, save for the Two Retained Warehouse Projects disclosed above, they would not, and would procure their respective close associates (except for any members of our Group) not to, directly or indirectly, carry on, participate or be interested or engaged in or acquire or hold any business which is or may be in competition with our business.

#### **Non-competition Undertaking**

Our Controlling Shareholders have entered into a Deed of Non-Competition in favor of our Group on June 14, 2016 pursuant to which each of our Controlling Shareholders has jointly and severally and irrevocably undertaken to our Group that, save for the Two Retained Warehouse Projects, he/she/it shall not, and shall procure his/her/its respective close associates (except for any members of the Group) not to, during the Restricted Period (as defined below), directly or indirectly

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(including through nominees), either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business, which competes or is likely to compete, directly or indirectly, with the existing businesses of any member of our Group (the “**Logistics Facilities Business**”).

The non-competition undertaking does not apply to the holding of securities in a company that is engaged in the Logistics Facilities Business and whose securities are listed on a recognized stock exchange, provided that our Controlling Shareholders or their respective close associates does not individually and in aggregate hold or control, directly or indirectly, the voting rights in respect of 10% or more of the issued share capital of such company. In addition, such undertaking does not apply to any interest in the shares of a company, other than the Group and any investment or interests held through the Group, provided that (i) any Logistics Facilities Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated sales or consolidated assets, whichever is less, as shown in that company’s latest audited accounts; and (ii) the total number of the shares held by the Controlling Shareholders and their close associates (except for any members of the Group) in aggregate does not exceed 10% of the issued shares of that class of the company in question and the Controlling Shareholders and their close associates (except for any members of the Group) are not entitled to appoint a majority of the directors of that company.

The restricted period stated in the Deed of Non-Competition refers to the period commencing from the Listing Date and ending on the earliest of:

- (i) the Shares of our Company cease to be listed on the Stock Exchange;
- (ii) the aggregate beneficial shareholding (whether direct or indirect) of the Controlling Shareholders and/or their close associates (except for any members of the Group) in our Company falls below 20% of the issued Shares; or
- (iii) in relation to a particular Controlling Shareholder individually, the date when such Controlling Shareholder and all of his/her/its close associates (except for any members of the Group) cease to hold or otherwise be interested in beneficially, whether directly or indirectly, any of the Shares (the “**Restricted Period**”).

### **Option for New Business Opportunities**

Our Controlling Shareholders have undertaken that, during the Restricted Period, if the Controlling Shareholders or their respective close associates (except for any members of our Group) become aware of, notice, are recommended or provided with a new business opportunity which will directly or indirectly compete or is likely to compete with the Logistics Facilities Business, including but not limited to the opportunities which are the same with or similar to the Logistics Facilities Business (the “**New Business Opportunities**”), our Controlling Shareholders shall and shall procure their respective close associates (except for any members of our Group) to refer or recommend the

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New Business Opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties:

- (i) our Controlling Shareholders or their respective close associates (except for any members of our Group) shall as soon as reasonably practicable provide us with a written notification which includes all reasonable and necessary information known by our Controlling Shareholders or their respective close associates (except for any members of our Group) (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition) for us to consider whether the New Business Opportunities constitute competition or potential competition to the Logistics Facilities Business and whether engaging in such New Business Opportunities would be in the best interests of our Group and our Shareholders as a whole (the “**Offer Notice**”); and
- (ii) we shall respond to our Controlling Shareholders or their respective close associates (except for any members of our Group) within 30 days upon receipt of the Offer Notice. If we fail to reply within the above period, we shall be deemed to have abandoned such New Business Opportunities. If we determine to take up the New Business Opportunities, our Controlling Shareholders or their respective close associates (except for any members of our Group) would be obligated to offer such New Business Opportunities to us.

### **Right of First Refusal**

Each of our Controlling Shareholders has jointly and severally and irrevocably and unconditionally undertaken to us (for ourselves and for the benefit of each of the members of our Group) that at any time during the Restricted Period, he/she/it and his/her/its respective close associates (except for any members of our Group) shall not dispose of any interest in the Two Retained Warehouse Projects and the Non-core Businesses and shall procure Shanghai Yushuo Investment not to dispose of any of its core assets or business or interests in its subsidiaries from time to time (if any), without first offering to us the right to acquire such business or interest. If any Controlling Shareholder intends to dispose of their respective interests in the Two Retained Warehouse Projects or the Non-core Businesses, he/she/it shall first offer to our Company the right to acquire such business or interest and provide relevant information including, among others, the proposed consideration and the payment terms. The consideration shall be subject to independent valuation by a qualified third party engaged by our Company. The relevant party may only proceed with such disposal to any third party following the written rejection of such offer by our Company and unless on terms not more favorable than those offered to us. In particular, each of our Controlling Shareholders has undertaken that, upon the expiry of each of the land leases in relation to the Two Retained Warehouse Projects and where the landlord agrees to renew the relevant lease with Shanghai Yupei Industry, he/she/it shall and shall procure Shanghai Yupei Industry not to renew the lease without first offering to us the opportunity to lease the relevant parcel of land as lessee, subject to the consent of the relevant landlord to such arrangement.

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### Further Undertaking

Each of our Controlling Shareholders has further undertaken that, subject to relevant law, requirements or contractual arrangements with third parties:

- (i) upon our request, he/she/it shall and shall procure his/her/its close associates (except for any members of our Group) to provide us all necessary information for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (ii) he/she/it would allow our authorized representatives or our auditors to have reasonable access to the financial and corporate information necessary to assess its transactions with third parties, which would assist with our judgments in respect of whether our Controlling Shareholders or their respective close associates (except for any members of our Group) has complied with the Deed of Non-Competition; and
- (iii) he/she/it would ensure that within 10 days of receipt of our written request, necessary confirmation shall be made in writing as to the performance by our Controlling Shareholders or their respective close associates (except for any members of our Group) under the Deed of Non-Competition and our Controlling Shareholders or their respective close associates (except for any members of our Group) will consent to the inclusion of such confirmation in our annual reports.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

#### Management Independence

The Board comprises five executive Directors, two non-executive Directors and four independent non-executive Directors. Mr. Li, our chairman, president and executive Director, is also a Controlling Shareholder. As set out above, the Two Retained Warehouse Projects are managed by a different management team independent from our Group. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. The balance of power and authority is ensured by the operation of the senior management and our Board. See “Directors and Senior Management” for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any

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contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

### **Operational Independence**

Although the Controlling Shareholders will retain a substantial interest in our Company and will be our single largest Shareholder after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry on our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders. In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business.

Certain subsidiaries of Shanghai Yushuo Investment leases offices and warehouses of the Group for business operations and production purposes. Such companies are engaged in the Non-core Businesses as set out above and therefore require premises for its business operations, such as manufacturing facilities, holding of inventory and office use. Please see “Connected Transactions – Non-exempt Continuing Connected Transactions” for further details. Our Directors believe that this does not, and will not affect our operational independence in light of the different nature of our business. Moreover, the sums involved in the transactions were not substantial and the annual transaction amounts for the years ended December 31, 2013 and 2014 and 2015 were RMB1,289,291, RMB6,507,535 and RMB13,846,468 respectively, thereby only representing 2.6%, 9.6% and 8.5% of our total revenue for the respective periods. Apart from these property leasing transactions, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective associates during the Track Record Period and will continue to operate independently.

### **Financial Independence**

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and we make financial decisions according to our own business needs.

In addition, we have independent access to third party financing and our Group does not rely on our Controlling Shareholders and/or their associates by virtue of their provision of financial assistance. As of the Latest Practicable Date, all loans, advances and balances due from our Controlling Shareholders and their respective associates have been fully settled and all loans,

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advances and balances due to our Controlling Shareholders have been fully repaid. See “History, Reorganization and Corporate Structure – Terms of the Pre-IPO Investments and Joint Ventures” for further details of outstanding share pledges and guarantee provided by our Controlling Shareholders. All share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group’s borrowing will be fully released prior to Listing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective associates.

### CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that it/he/she fully comprehends its/his/her obligations to act as our Shareholders’ and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors; and
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management – Directors – Independent Non-executive Directors” in this prospectus;

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- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors (including why business opportunities referred to it by the Controlling Shareholders were not taken up) either through our annual report or by way of announcements; and
- (e) we have appointed TC Capital Asia Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.