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Hangzhou SF Intra-city Industrial Co., Ltd.

杭州順豐同城實業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 9699)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and Independent Shareholders**



References are made to (i) the Prospectus in relation to the entering into of the 2021-2023 Leasing Framework Agreement, the 2021-2023 Comprehensive Service Purchasing Framework Agreement and the 2021-2023 Intra-city On-demand Delivery Service Cooperation Framework Agreement; and (ii) the announcement of the Company dated 18 August 2022 and the circular of the Company dated 13 September 2022 in relation to the revision of the annual caps under the 2021-2023 Intra-city On-demand Delivery Service Cooperation Framework Agreement.

As the Existing CCT Agreements will expire on 31 December 2023, the Company entered into the Renewed CCT Agreements on 19 October 2023 to renew the Existing CCT Agreements for a term of three years effective from the Effective Date.

LISTING RULES IMPLICATIONS

The Renewed CCT Agreements are entered into between the Company and SF Holding. SF Holding is a controlling shareholder of the Company. Therefore, SF Holding is a connected person of the Company under Rule 14A.07(1) of the Listing Rules, and the transactions contemplated under the Renewed CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54(2) of the Listing Rules, if the Company proposes to renew continuing connected transactions, the Company will be required to re-comply with provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions.

A. PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

As one or more of the applicable percentage ratios calculated with reference to the highest annual caps for the respective transactions contemplated under each of (i) the 2024-2026 Leasing Framework Agreement, and (ii) the 2024-2026 Comprehensive Service Purchasing Framework Agreement are more than 0.1% but less than 5%, the entering into of the said agreements and the respective transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTION

As one or more of the applicable percentage ratios with respect to the Intra-city Delivery Service and the Last-mile Delivery Service under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement exceed 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM

The EGM of the Company will be convened to seek the approval of the Independent Shareholders with respect to the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps thereof.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement.

A circular containing, among other things, (i) details of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps thereof; (ii) a letter of advice from Gram Capital to both the Independent Board Committee and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 14 November 2023 as additional time will be required to finalise certain information to be included in the circular.

BACKGROUND

References are made to (i) the Prospectus in relation to the entering into of the 2021-2023 Leasing Framework Agreement, the 2021-2023 Comprehensive Service Purchasing Framework Agreement and the 2021-2023 Intra-city On-demand Delivery Service Cooperation Framework Agreement; and (ii) the announcement of the Company dated 18 August 2022 and the circular of the Company dated 13 September 2022 in relation to the revision of the annual caps under the 2021-2023 Intra-city On-demand Delivery Service Cooperation Framework Agreement.

As the Existing CCT Agreements will expire on 31 December 2023, the Company entered into the Renewed CCT Agreements on 19 October 2023 to renew the Existing CCT Agreements for a term of three years effective from the Effective Date.

The Existing CCT Agreements which are subject to renewal include:

- (i) the 2021-2023 Leasing Framework Agreement;
- (ii) the 2021-2023 Comprehensive Service Purchasing Framework Agreement; and
- (iii) the 2021-2023 Intra-city On-demand Delivery Service Cooperation Framework Agreement.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

A. PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. 2024-2026 Leasing Framework Agreement

On 19 October 2023, the Company and SF Holding entered into the 2024-2026 Leasing Framework Agreement, pursuant to which the SF Intra-city Group will rent certain properties from SF Holding and/or its associates for a term of not more than 12 months each.

A summary of the salient terms of the 2024-2026 Leasing Framework Agreement is set out below:

Date: 19 October 2023

Parties: (1) The Company (as service recipient); and
(2) SF Holding (as service provider).

Term: A fixed term from 1 January 2024 to 31 December 2026

Subject matter: Relevant subsidiaries or associated companies of both the Company and SF Holding will enter into separate underlying agreements for a term of not more than 12 months which will set out the specific terms and conditions according to the principles provided in the 2024-2026 Leasing Framework Agreement.

Other terms

Pursuant to the 2024-2026 Leasing Framework Agreement, relevant subsidiaries or associated companies of the Company and SF Holding will enter into separate underlying agreements (the “**Separate Leasing Agreement(s)**”) (as applicable), which will set out the specific terms and conditions of the relevant transactions. The Separate Leasing Agreement(s) shall be entered into in the ordinary and usual course of business, after arm’s length negotiation, on normal commercial terms or better and on terms which are no less favourable than those offered by Independent Third Parties to the SF Intra-city Group. The Separate Leasing Agreements shall conform with the principles and provisions set out in the 2024-2026 Leasing Framework Agreement and shall be in compliance with the Listing Rules. If there is any conflict between any provision of the Separate Leasing Agreement(s) and the relevant provision(s) of the 2024-2026 Leasing Framework Agreement, such provision(s) of the Separate Leasing Agreement(s) shall be invalidated and the relevant provision(s) of the 2024-2026 Leasing Framework Agreement shall prevail.

Reasons and benefits for the renewal

The SF Intra-city Group leased certain properties from SF Holding and/or its associates pursuant to the 2021-2023 Leasing Framework Agreement and we expect that we will continue to lease certain properties from SF Holding and/or its associates after 31 December 2023. Our Company is not and will not be bound to lease properties owned by SF Holding and/or its associates only.

In view of our deepening cooperation with SF Holding and/or its associates, entry into the 2024-2026 Leasing Framework Agreement is convenient and cost-effective for the SF Intra-city Group and is in line with the SF Intra-city Group’s business needs and economic interests, particularly in view of the benefits of leasing from SF Holding and/or its associates, such as lower communication cost and the availability of infrastructure and property services suitable for logistics scenarios.

Accounting Treatment

Under International Financial Reporting Standards (IFRS) 16, all of the Separate Leasing Agreement(s) under the 2024-2026 Leasing Framework Agreement will be exempt from recognition as right-of-use assets on balance sheet of the SF Intra-city Group because they are considered as (i) short-term leases (i.e. leases of 12 months or less) or (ii) leases of low-value assets. Therefore, the rental payments under the Separate Leasing Agreement(s) will be recorded as expenses over the term of the relevant lease in the profit or loss accounts of the SF Intra-city Group.

Pricing policies

To ensure that the transaction amounts payable by the SF Intra-city Group to SF Holding and/or its associates under the 2024-2026 Leasing Framework Agreement are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole, the transaction amounts will be determined on arm’s length basis with reference to the prevailing market rent of similar properties in the vicinity and under similar conditions.

Historical transaction amounts

The historical transaction amounts under the 2021-2023 Leasing Framework Agreement for each of the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) are as follows:

Nature of transaction	Year ended	Year ended	Six months
	31 December 2021	31 December 2022	ended 30 June 2023
	<i>(RMB in million)</i>		
Leasing from SF Holding and/or its associates	6.4	6.9	0.003 <i>(Note)</i>

Note: The decrease in the transaction amounts for the six months ended 30 June 2023 was mainly due to the fact that SF Intra-city Group entered into short-term leasing agreements with Independent Third Parties on a trial basis after the expiry of certain leased properties under the 2021-2023 Leasing Framework Agreement.

Annual caps

In respect of the 2024-2026 Leasing Framework Agreement, the transaction amounts to be paid by the SF Intra-city Group to SF Holding and/or its associates (including rentals and other fees) for the three years ending 31 December 2026 shall not exceed the annual caps as set out in the table below:

	For the year ending 31 December		
	2024	2025	2026
	<i>(RMB in million)</i>		
Transaction amounts to be paid by the SF Intra-city Group to SF Holding and/or its associates	8.0	8.4	8.8

Basis for the annual caps

The proposed annual caps for the transactions contemplated under the 2024-2026 Leasing Framework Agreement are determined with reference to the following basis:

- (a) the expected demand of the SF Intra-city Group for leased properties in the future, taking into consideration the following: (i) the continuous expansion in our business and deepening of our cooperation with SF Holding Group; and (ii) that leasing properties from Independent Third Parties is still being conducted on a trial basis, and it is more efficient and convenient to lease properties from SF Holding and/or its associates, given the lower communication costs, the availability of infrastructure and property services suitable for logistics scenarios, etc.;
- (b) the estimated increment in market rents of similar properties in the same or adjacent area on normal commercial terms; and
- (c) the historical transaction amounts and the number and scale of leased properties that the SF Intra-city Group historically leased from SF Holding and/or its associates.

2. 2024-2026 Comprehensive Service Purchasing Framework Agreement

On 19 October 2023, the Company and SF Holding entered into the 2024-2026 Comprehensive Service Purchasing Framework Agreement, pursuant to which SF Holding and/or its associates will provide certain services to the SF Intra-city Group.

A summary of the salient terms of the 2024-2026 Comprehensive Service Purchasing Framework Agreement is set out below:

Date: 19 October 2023

Parties: (1) The Company (as service recipient); and
(2) SF Holding (as service provider).

Term: A fixed term from 1 January 2024 to 31 December 2026

Subject matter: SF Holding and/or its associates will provide certain services to the SF Intra-city Group including but not limited to:

- (i) certain supplementary back-office support services including financial and human resources shared service centre and accounting centre services such as (a) routine work related to financial affairs including account keeping and reimbursement receipt review in accordance with the instruction and the predetermined rules provided by the SF Intra-city Group; (b) facilitating and administrating the process of the payment and declaration of salary social insurance and housing allowance of the SF Intra-city Group's employees in accordance with the instruction from the SF Intra-city Group; (c) the maintenance of our administrative IT systems including the email system and other instant messaging applications; and (d) bill production and collection of receivables;
- (ii) operation related services including customer call center service (where a designated customer service team will, under our guidelines and protocols, provide hotline consultation and post-sale service to our customers); and
- (iii) research and development service.

(collectively, the “**Comprehensive Services**”).

Other terms

The 2024-2026 Comprehensive Service Purchasing Framework Agreement is valid for a term commencing on the date of 1 January 2024 and ending on 31 December 2026, and subject to renewal for another three years upon parties' mutual agreements. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the 2024-2026 Comprehensive Service Purchasing Framework Agreement.

Reasons and benefits for the renewal

The Company and its predecessor have been purchasing the Comprehensive Services since incorporation from SF Holding and/or its associates to satisfy its business and operational needs. The SF Intra-city Group and SF Holding and/or its associates have established a long-term and stable business relationship, and SF Holding and/or its associates has acquired a comprehensive understanding of our business and operational requirements. Taking into consideration that SF Holding and/or its associates has provided such service to us since the commencement of our business in 2016, and the reliable quality of the services provided, we believe it is in the best interest of the SF Intra-city Group and our shareholders for us to continue to procure the Comprehensive Services from SF Holding and/or its associates which is capable of fulfilling our demands with a stable and high quality supply of services on terms which are similar to or better than those offered by Independent Third Parties. Entering into the 2024-2026 Comprehensive Service Purchasing Framework Agreement will also minimise disruption to the Company's operation and internal procedures.

In addition, considering that, compared to the SF Intra-city Group which focuses on the intra-city on-demand delivery services, certain entities within the SF Holding Group (which focus on providing the relevant Comprehensive Services to other members of the SF Holding Group and a number of Independent Third Parties (as the case may be)) have accumulated rich experience in dealing with such matters. As such, it would be more cost-effective for the SF Intra-city Group to outsource procedural and commoditised work to SF Holding and/or its associates rather than to maintain its own headcounts for processing such work. Considering that such provision of services by SF Holding and/or its associates to us is ancillary in nature and only concerns the non-core functions of the SF Intra-city Group, and we are free to engage Independent Third Parties to provide such services if we consider appropriate, our Directors believe that there will be no reliance issue between our Company and SF Holding due to the transactions under the 2024-2026 Comprehensive Service Purchasing Framework Agreement.

Pricing policies

The service fee to be charged by SF Holding and/or its associates will be determined on arm's length basis, with reference to factors including (i) the service fee rate of SF Holding and/or its associates which is principally determined with reference to the relevant costs incurred by SF Holding and/or its associates for providing the relevant service including labour cost and administrative expense; and (ii) the fee quotes for similar services in the market. To ensure service fee to be charged by SF Holding and/or its associates are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole, for each type of services under the 2024-2026 Comprehensive Service Purchasing Framework Agreement, the SF Intra-city Group will obtain fee quotes from at least two Independent Third Parties for services of the same or similar type, nature and quality at least on an annual basis and/or before entering into any definitive agreements to ensure the terms offered by SF Holding and/or its associates are similar to or better than the terms offered by Independent Third Parties under the similar circumstances.

Historical transaction amounts

The historical transaction amounts under the 2021-2023 Comprehensive Service Purchasing Framework Agreement for each of the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) are as follows:

Nature of transaction	Year ended	Year ended	Six months
	31 December 2021	31 December 2022	ended 30 June 2023
Procurement of Comprehensive Services from SF Holding and/or its associates	97.3	93.4	37.3 (Note)

Note: The decrease in the transaction amount for the provision of Comprehensive Services for the six months ended 30 June 2023 was primarily due to the disposal (the “Disposal”) of the entire equity interest in Shanghai Fengzan Technology Co., Ltd. in May 2023, the principal business of which is to operate the Fengshi business system, an online group catering service platform offering enterprise customers a wide selection of high-quality staff meals. Before the Disposal, research and development services were provided by SF Holding and/or its associates under the 2021-2023 Comprehensive Service Purchasing Framework Agreement to Shanghai Fengzan Technology Co., Ltd.. For details of the Disposal, please refer to the announcement of the Company dated 5 May 2023.

Annual caps

In respect of the 2024-2026 Comprehensive Service Purchasing Framework Agreement, the transaction amounts to be paid by the SF Intra-city Group to SF Holding and/or its associates for the three years ending 31 December 2026 shall not exceed the annual caps as set out in the table below:

	For the year ending 31 December		
	2024	2025	2026
	<i>(RMB in million)</i>		
Transaction amounts to be paid by the SF Intra-city Group to SF Holding and/or its associates	84.0	110.0	134.0

Basis for the annual caps

The proposed annual caps for the transactions contemplated under the 2024-2026 Comprehensive Service Purchasing Framework Agreement are determined with reference to the following basis:

- (a) the historical transaction amounts; and
- (b) an estimated growth for the annual caps, taking into consideration the following: (i) the expected volume of delivery orders will increase year by year, and the expected demand for supplementary back-office support services and operation related services of the SF Intra-city Group will continue to increase along with the increase in order volume to ensure operational stability and efficiency; and (ii) the price for each type of the services provided by SF Holding and/or its associates is expected to increase in line with the market price increase.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

3. 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement

On 19 October 2023, the Company and SF Holding entered into the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, pursuant to which the SF Intra-city Group will provide intra-city on-demand delivery services to SF Holding and/or its associates under certain scenarios.

A summary of the salient terms of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement is set out below:

Date: 19 October 2023

Parties: (1) The Company (as service provider); and
(2) SF Holding (as service recipient).

Term: A fixed term from 1 January 2024 (subject to obtaining approval from the Independent Shareholders) to 31 December 2026

Subject matter: The SF Intra-city Group will provide intra-city on-demand delivery services to SF Holding and/or its associates under the following scenarios:

(i) Intra-city Delivery Service provided via SF Holding and/or its associates

For certain existing customers (the “**Credit Customers**”) who have entered into master service agreements (the “**Master Service Agreements**”) with SF Holding and/or its associates in respect of a variety of delivery and logistics solution service products the SF Holding Group and/or its associates offers, the SF Holding Group and/or its associates will delegate the SF Intra-city Group as subcontractor to complete and fulfill their intra-city delivery demands independently. The Credit Customers will place orders via SF Holding’s online access channels. SF Holding’s online access channels will direct such orders to our internal system, which will automatically match the orders with the SF Intra-city Group’s riders who have capacities to deliver. The SF Intra-city Group’s riders will collect the orders directly from the Credit Customers and deliver them to the designated recipients. On a monthly basis, the Credit Customer will directly settle the delivery fee (the “**Customer Delivery Fee**”) with SF Holding and/or its associates according to the Master Service Agreement, under which, the Customer Delivery Fee is determined by SF Holding and/or its associates and generally with reference to the Intra-city Delivery Service Fee.

(ii) Last-mile Delivery Service to SF Holding and/or its associates

As one of the intra-city on-demand delivery service providers, the SF Intra-city Group also provides SF Holding and/or its associates with Last-mile Delivery Service by utilising the SF Intra-city Group’s on-demand delivery force at the final stage of the express delivery services of SF Holding and/or its associates.

Reasons and benefits for the renewal

The SF Holding Group is the largest integrated logistics service provider in China and Asia, and the fourth largest player globally, committed to becoming a data and technology-driven company providing solutions to third parties. It provides customers with smart and integrated supply chain solutions covering various industries and application scenarios. Given the scale of SF Holding Group's business and its leading position within the industry, it is natural for and in the interests of the Company to cooperate with SF Holding Group.

Specifically, the SF Holding Group has accumulated a relatively large user base during its years of operation in the express delivery industry, the SF Intra-city Group could further increase its user base at low costs by attracting new customers who need intra-city delivery service via SF Holding's online access channels and through provision of services to the Credit Customers via SF Holding Group. SF Intra-city Group can benefit from the brand effect of SF Holding Group, and jointly expand the user base with SF Holding Group to increase the number of customers and revenue from such services. From the perspective of SF Holding Group, building its integrated solution capacity jointly with SF Intra-city Group will empower SF Holding Group to better serve its customers. It is also mutually beneficial for the SF Intra-city Group and SF Holding Group to cooperate with each other on the provision of Intra-city Delivery Service, as each party enjoys competitive advantages in its respective business segment and has established cooperation relationship with compatible system.

Furthermore, the provision of Last-mile Delivery Service has enabled us to (i) further optimise our rider utilisation and improve our economies of scale, leading to a reduction of our fulfilment cost; and (ii) further expand our network coverage and achieve network scale effect, and expand and strengthen the capacity of our nationwide delivery network. From the perspective of SF Holding Group, the scalable and flexible delivery network of SF Intra-city Group can cater to its multi-dimensional needs to bolster its supply chain capabilities, accelerate courier service and reduce operational costs. From a rider perspective, the Last-mile Delivery Service has enriched source of revenue for riders, helped to enhance riders' income and strengthened riders' long-term loyalty. The Company believes that maintaining the stable and high-quality business relationship with SF Holding Group will facilitate current and future business operations for both of the SF Intra-city Group and the SF Holding Group.

Lastly, SF Intra-city Group is not and will not be bound to cooperate with SF Holding Group, unless SF Intra-city Group considers it is fair and reasonable to do so after taking into account factors including its service network coverage, delivery capacity and the level of services fees offered by SF Holding Group. SF Intra-city Group is and will be open to all forms of cooperation with other business partners that are independent of the SF Holding Group.

Pricing policies

- (a) **For Intra-city Delivery Service:** The delivery service fees paid by SF Holding and/or its associates to the SF Intra-city Group (the “**Service Fees**”) are on order unit basis. The Service Fees are determined in accordance with following formula: Intra-city Delivery Service Fee x prescribed subcontracting rate. The Intra-city Delivery Service Fee refers to the delivery service fee of our Intra-city Delivery Service products which is calculated using our pricing algorithm taking into account the location, the distance between sender and recipient, peak time and seasons, weather, riders’ capacities, weight and delivery requirements specified in the orders placed by the customers, etc. The subcontracting rate is determined after arm’s length negotiation taking into consideration that it is SF Holding and/or its associates instead of the SF Intra-city Group that bears the customer acquisition cost, customer maintenance and services expense, administrative expense in relation to management and collection of Customer Delivery Fee, as well as the credit exposure SF Holding and/or its associate bears. The SF Intra-city Group will, or to the extent needed, may consider engaging an industry consultant to, on an annual basis, conduct researches on comparable companies to evaluate and assess the level of Service Fees charged by the SF Intra-city Group for the Intra-city Delivery Service provided under the 2024-2026 Intra-City On-demand Delivery Service Cooperation Framework Agreement to ensure that Service Fees charged by the SF Intra-city Group are on normal commercial terms, fair and reasonable, and in the interests of the Shareholders as a whole.
- (b) **For Last-mile Delivery Service:** The service fees to be paid by SF Holding and/or its associates to the SF Intra-city Group will be principally determined with reference to a relatively stable mark-up on top of the rider commission fee. The mark-up will be determined on arm’s length basis taking into consideration complexity of the services required, market rates, and industry standards. The SF Intra-city Group also provides Last-mile Delivery Service to Independent Third Parties. The pricing methodology for the Last-mile Delivery Service provided to Independent Third Parties is largely consistent with that for the Last-mile Delivery Service provided to SF Holding and/or its associates. The SF Intra-city Group will cross-check against the Last-mile Delivery Service we provide to Independent Third Parties and ensure that the service fee paid by SF Holding and/or its associates, in particular, the mark-up for the Last-mile Delivery Service SF Holding Group bears, is at least comparable to that of Independent Third Parties. Where the bidding process is necessary under the internal policies of SF Holding and/or its associates, the service fee shall be ultimately determined in accordance with the tender and bidding process. During the bidding process, our bidding quotations will be determined after taking into consideration the factors including market rates, industry standards, the actual cost, tender quantities, potential competition and relevant requirements as per tender documents. The SF Intra-city Group will, or to the extent needed, may consider engaging an industry consultant to, on an annual basis, conduct researches on comparable companies to evaluate and assess the applicable market rates for the Last-mile Delivery Service provided under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement to ensure that service fees paid by SF Holding and/or its associates are on normal commercial terms, fair and reasonable, and in the interests of our Shareholders as a whole.

Historical transaction amounts

The historical transaction amounts of the provision of (i) Intra-city Delivery Service via SF Holding and/or its associates and (ii) Last-mile Delivery Service to SF Holding and/or its associates by the SF Intra-city Group under the 2021-2023 Intra-city On-demand Delivery Service Cooperation Framework Agreement for each of the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) are as follows:

Nature of transaction	Year ended	Year ended	Six months
	31 December 2021	31 December 2022	ended 30 June 2023
	<i>(RMB in million)</i>		
Provision of Intra-city Delivery Service via SF Holding and/or its associates	97.8	190.2	105.7
Provision of Last-mile Delivery Service to SF Holding and/or its associates	2,958.2	3,507.9	2,249.6

Annual caps

In respect of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, the transaction amounts to be paid by SF Holding and/or its associates to SF Intra-city Group for the three years ending 31 December 2026 shall not exceed the annual caps as set out in the table below:

	Year ending 31 December		
	2024	2025	2026
	<i>(RMB in million)</i>		
Provision of Intra-city Delivery Service via SF Holding and/or its associates	450.0	710.0	1,100.0
Provision of Last-mile Delivery Service to SF Holding and/or its associates	7,160.0	9,455.0	12,270.0

Basis for the annual caps

The proposed annual caps for the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement are determined with reference to the following basis:

For Intra-city Delivery Service:

- (a) The historical transaction amounts and the steady growth rate thereof. By way of illustration, the historical transaction amounts of the Intra-city Delivery Service for the six months ended 30 June 2023 (unaudited) was RMB105.7 million, demonstrating a steady year-on-year growth compared to the historical transaction amounts of RMB86.7 million for the six months ended 30 June 2022 (unaudited);

- (b) We plan to continue to expand our differentiated service network, diversify our service scenarios and improve our fulfilment capabilities, all of which will continue to drive the growth of demand from Credit Customers for Intra-city Delivery Service. In terms of continuous expansion of service network, our expansion of the geographical coverage in lower-tier cities and counties will continue. Our multi-scenario business model will also empower us to meet and co-create diversified on-demand service needs of the Credit Customers in local e-commerce and local retail (such as retail groceries, 3C Electronics, apparel, pharmaceuticals and pets supplies, etc.), responding to more time-sensitive needs of the customers and achieving continuous enrichment of service matrix. Our proven track record of optimising fulfilment capability, especially the rapid development of the “delivery within half a day” (半日達) and “Two-wheels+ Four Wheels” (兩輪+四輪), will enable us to launch more products that cater to the unmet demand of the Credit Customers;
- (c) The overall change in consumption habits of “see now-buy now-get now” will further increase the market demand for on-demand delivery. The Credit Customers are also continuously optimising and improving the service experience for their end-customers, which has generated more demand for intra-city on-demand delivery; and
- (d) We also expect to continue to deepen our cooperation with SF Holding Group. In particular, we expect to work alongside SF Holding Group to provide end-to-end integrated solutions to more Credit Customers in the future. We also expect to cooperate with SF Holding Group to expand the service scenarios and upgrade the user experience with the existing Credit Customers, with a view to achieving more penetration in respect of these existing customers.

For Last-mile Delivery Service:

- (a) The historical transaction amounts which represented strong year-on-year growth. By way of illustration, the historical transaction amounts of the Last-mile Delivery Service for the six months ended 30 June 2023 (unaudited) was RMB2,249.6 million, demonstrating a rapid year-on-year growth compared to the historical transaction amounts of RMB1,456.1 million for the six months ended 30 June 2022 (unaudited);
- (b) We continue to expand our service network and our hour-level and minute-level flexible delivery network capabilities, which will allow us to: (1) further extend our reach to markets of lower-tier cities and counties and increase our service penetration therein; (2) be increasingly capable of responding to the needs for speed-up for intra-city express deliveries and traditional logistics services; and (3) deepen our collaboration in diversified transport and delivery scenarios, including “parcels collection”, “delivery within half a day” and “delivery within an hour”, which will in turn allow us to cater to the diverse needs and delivery requirements of end-customers;
- (c) We have been deepening and will continue to deepen our cooperation with SF Holding Group. SF Holding Group is a leading operator in the field of time-definite express delivery. Time-definite express delivery calls for timely, premium and end-to-end delivery services, the last-mile demand of which is highly matched with on-demand delivery service. We expect SF Holding Group’s time-definite express delivery business to continue its robust growth, as a result of which SF Holding Group will be more inclined to outsource their last-mile delivery to qualified on-demand delivery companies especially during peak times and seasons or in regions where SF Holding Group lacks local delivery force. Acceleration in the express delivery industry is an inevitable trend. SF Intra-city Group can support the needs of SF Holding Group to speed up and provide extremely efficient delivery service in the area of last mile delivery;

- (d) We expect a continuous development and an expansion in the express delivery industry, which leads to the expected increase in the demand for the Last-mile Delivery Service. In particular, with the booming growth in e-commerce transactions, logistics providers like SF Holding Group with a focus on providing integrated solutions across the supply chain, expect spikes in the parcel traffic volume as a result of the expected tremendous increase in e-commerce transaction volume. Especially in the cases of online shopping events or festivals, we have observed and continue to expect a year-on-year increase in delivery volume during peak periods such as the Spring Festival, the Double 11 Shopping Festival and the 618 Shopping Festival, reaching a new peak; and
- (e) A reasonable buffer to the estimated demand for Last-mile Delivery Service for the three years ending 31 December 2026 to cater for any unexpected circumstances which may take place during this period.

INTERNAL CONTROL PROCEDURES

The Company has adopted internal control procedures to ensure that the terms under the continuing connected transactions of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement are fair and reasonable or no less favorable than terms available to or from Independent Third Parties and are carried out under normal commercial terms:

- (a) the independent non-executive Directors will review the continuing connected transactions under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement every year including the pricing policy thereunder and confirm in the annual report whether the transactions have been entered into: (1) in the SF Intra-city Group's ordinary and usual course of business; (2) on normal commercial terms or better; and (3) the terms of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company will engage independent third-party professional institutions from time to time to evaluate the pricing policies of the Intra-city Delivery Service and the Last-mile Delivery Service, and issue an evaluation report. In addition to the detailed description of the pricing logic, the evaluation report will focus on analysing the reasonableness of the pricing and determining the fairness based on comparisons with market pricing, and provide an independent evaluation opinion on the above two points;
- (c) various internal departments of the Company (including the finance department and compliance and legal department) are jointly responsible for evaluating the terms under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps;
- (d) the internal audit department of the Company reviews the accuracy of the system configuration from time to time and requires the staff to provide written basis for price configuration such as contracts and supplemental agreements during the review process, so as to ensure that the price of system configuration is in compliance with the pricing terms under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement;

- (e) the finance department of the Company will be responsible for collecting data on the Last-mile Delivery Service continuing connected transactions between it and SF Holding Group on a regular basis, and various internal departments of the Company (including but not limited to the business department, finance department, compliance and legal department and internal audit department) will conduct all necessary internal review and approval procedures. The business management department of the Company will conduct a semi-annual review to compare the agreements of such continuing connected transactions with those executed with Independent Third Parties, to ensure that the pricing policy for the Last-mile Delivery Service provided to SF Holding Group is similar to that provided to the Independent Third Parties;
- (f) the city logistics system (CLS) automatically generates monthly record of transactions between the SF Intra-city Group and the SF Holding Group for the purpose of issuing invoices to ensure accurate revenue recognition and settlement, and the finance department establishes ledger system to keep track of accumulated amount of transactions conducted with the SF Holding and/or its associates under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement;
- (g) the finance department have and will continue to closely monitor the actual transaction amounts relating to the continuing connected transactions under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement on a monthly basis. If the actual transaction amount reaches certain threshold of the proposed annual caps of the relevant continuing connected transactions (i.e. 50% in the second quarter or 70% in the third quarter), the finance department will promptly inform the relevant departments and arrange for the business operation department to further assess the expected annual transaction amounts. If the business operation department expects that the relevant business operations will expand and may use up a substantial part of the annual caps in the short run, the matter shall promptly be escalated to the finance department to assess if there is a need to revise the existing annual caps, and if so, revise the annual caps in accordance with the relevant internal procedures of the Company and re-comply with the requirements under the Listing Rules;
- (h) the Company's auditors will report on the continuing connected transactions under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement every year and provide a letter to the Board, confirming, among others, whether the pricing policies have been adhered to and whether the relevant annual caps have been exceeded; and
- (i) when considering any renewal of or revisions to the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, the interested Directors and Shareholders will abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and the independent non-executive Directors and the Independent Shareholders (as the case may be) will have the right to consider whether the terms of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of the Company and the Shareholders as a whole. If the independent non-executive Directors' or the Independent Shareholders' approvals cannot be obtained, the Company will not continue the transactions under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement to the extent that they constitute non-exempt continuing connected transactions under the Listing Rules.

Accordingly, the Directors consider that the Company's internal control mechanism is effective to ensure that the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement have been and will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Renewed CCT Agreements are entered into between the Company and SF Holding. SF Holding is a controlling shareholder of the Company. Therefore, SF holding is a connected person of the Company under Rule 14A.07(1) of the Listing Rules, and the transactions contemplated under the Renewed CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54(2) of the Listing Rules, if the Company proposes to renew continuing connected transactions, the Company will be required to re-comply with provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions.

A. PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

As one or more of the applicable percentage ratios calculated with reference to the highest annual caps for the respective transactions contemplated under each of (i) the 2024-2026 Leasing Framework Agreement, and (ii) the 2024-2026 Comprehensive Service Purchasing Framework Agreement, are more than 0.1% but less than 5%, the entering into of the said agreements and the respective transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTION

As one or more of the applicable percentage ratios with respect to the Intra-city Delivery Service and the Last-mile Delivery Service under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement exceed 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 27 November 2023 to Thursday, 30 November 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents of H shares accompanied by the relevant shares certificates must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Friday, 24 November 2023.

THE EGM

The EGM of the Company will be convened to seek the approval of the Independent Shareholders with respect to the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps thereof.

Mr. Chan Fei, Mr. Geng Yankun and Mr. Li Qiuyu (together, the “**Interested Directors**”) hold various positions in SF Holding. Therefore, for good corporate governance, the Interested Directors have abstained from voting on the relevant resolutions of the Board in relation to the Renewed CCT Agreements. Save as disclosed, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no other Directors had any material interest in the transactions contemplated under the Renewed CCT Agreements and are required to abstain from voting on the relevant Board resolutions.

In respect of (i) the 2024-2026 Leasing Framework Agreement, and (ii) the 2024-2026 Comprehensive Service Purchasing Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of these agreements and the transactions contemplated thereunder (including the annual caps) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

In respect of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, the Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee to be included in the circular to be despatched to Shareholders) are of the view that the terms of this agreement and the transactions contemplated thereunder (including the annual caps) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement.

A circular containing, among other things, (i) details of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps thereof; (ii) a letter of advice from Gram Capital to both the Independent Board Committee and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 14 November 2023 as additional time will be required to finalise certain information to be included in the circular.

INFORMATION ON THE PARTIES TO THE RENEWED CCT AGREEMENTS

The Company and the SF Intra-city Group

The Company is a joint stock company incorporated in the PRC with limited liability. The SF Intra-city Group is principally engaged in intra-city on-demand delivery services in the PRC, providing both (i) intra-city delivery for merchants and consumers and (ii) last-mile delivery mainly for logistics companies.

SF Holding

SF Holding, a limited company established in the PRC, is one of the controlling shareholders of the Company, with shares listed on Shenzhen Stock Exchange (stock code: 002352.SZ). SF Holding is held as to approximately 54.95% by Shenzhen Mingde Holdings Development Co., Ltd., which in turn was held by Mr. Wang Wei as to approximately 99.9%. SF Holding is principally engaged in investment and establishment of industries, marketing planning, investment consulting, supply chain management, asset management, capital management and investment management.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“2021-2023 Comprehensive Service Purchasing Framework Agreement”	the framework agreement entered into between the Company and SF Holding on 19 November 2021, pursuant to which SF Holding and/or its associates provided Comprehensive Services to the SF Intra-city Group
“2021-2023 Intra-city On-demand Delivery Service Cooperation Framework Agreement”	the framework agreement entered into between the Company and SF Holding on 19 November 2021, pursuant to which the SF Intra-city Group provided intra-city on-demand delivery services to SF Holding and/or its associates
“2021-2023 Leasing Framework Agreement”	the framework agreement entered into between the Company and SF Holding on 19 November 2021, pursuant to which the SF Intra-city Group rented certain properties from SF Holding and/or its associates for a term of not more than 12 months each
“2024-2026 Comprehensive Service Purchasing Framework Agreement”	the framework agreement entered into between the Company and SF Holding on 19 October 2023, pursuant to which SF Holding and/or its associates will provide Comprehensive Services to the SF Intra-city Group
“2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement”	the framework agreement entered into between the Company and SF Holding on 19 October 2023, pursuant to which the SF Intra-city Group will provide intra-city on-demand delivery services to SF Holding and/or its associates
“2024-2026 Leasing Framework Agreement”	the framework agreement entered into between the Company and SF Holding on 19 October 2023, pursuant to which the SF Intra-city Group will rent certain properties from SF Holding and/or its associates for a term of not more than 12 months each
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company

“Company”	Hangzhou SF Intra-city Industrial Co., Ltd. 杭州順豐同城實業股份有限公司 (Stock Code: 9699), a joint stock company incorporated in the PRC with limited liability, the issued H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Comprehensive Services”	the services which SF Holding and/or its associates will provide to the SF Intra-city Group under the 2024-2026 Comprehensive Service Purchasing Framework Agreement, as defined in the “Renewal of Continuing Connected Transactions – A. Partially Exempt Continuing Connected Transactions – 2. 2024-2026 Comprehensive Service Purchasing Framework Agreement” section of this announcement
“Director(s)”	the director(s) of the Company
“Effective Date”	the effective date of the respective Renewed CCT Agreements, being 1 January 2024 or the date of the approval by the Independent Shareholders at the EGM (whichever is later, where required)
“EGM”	the 2023 third extraordinary general meeting of the Company to be held by way of telecommunication on Thursday, 30 November 2023, at 10:00 a.m., or any adjournment thereof
“Existing CCT Agreements”	the 2021-2023 Leasing Framework Agreement, the 2021-2023 Comprehensive Service Purchasing Framework Agreement and the 2021-2023 Intra-city On-demand Delivery Service Cooperation Framework Agreement
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the main board of the Stock Exchange
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent committee of the Board, the members of which consist of the independent non-executive Directors, formed to advise all Independent Shareholders with respect to the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement and the proposed annual caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on Corporate Finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement and the proposed annual caps thereof
“Independent Shareholders”	Shareholders other than the controlling shareholders of the Company and any other persons who are required to abstain from voting on resolutions to approve the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement at the EGM pursuant to the Listing Rules
“Independent Third Party(ies)”	any entity(ies) or person(s) who, to the best of the knowledge, information and belief of the Directors, is/are not a connected person(s) of the Company within the meaning ascribed thereto under the Listing Rules
“Intra-city Delivery Service”	one of the two types of services which the SF Intra-city Group will provide via SF Holding and/or its associates under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement
“Last-mile Delivery Service”	one of the two types of services which the SF Intra-city Group will provide to SF Holding and/or its associates under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 30 November 2021
“Renewed CCT Agreements”	the 2024-2026 Leasing Framework Agreement, the 2024-2026 Comprehensive Service Purchasing Framework Agreement and the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement

“RMB”	Renminbi, the lawful currency of the PRC
“SF Holding”	S.F. Holding Co., Ltd. (順豐控股股份有限公司), a joint stock company established in the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), one of the Company’s controlling shareholders
“SF Holding Group”	SF Holding and its subsidiaries
“SF Intra-city Group”	the Company and its subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) in the issued capital of the Company with a nominal value of RMB1.00 each, comprising Unlisted Domestic Share(s) and H Share(s)
“Shareholders”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Unlisted Domestic Share(s)”	the unlisted domestic share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in RMB
“%”	per cent.

By Order of the Board
Hangzhou SF Intra-city Industrial Co., Ltd.
CHAN Fei
Chairman

PRC, 19 October 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Sun Haijin, Mr. Chan Hey Man and Mr. Chen Lin, as executive Directors; Mr. Chan Fei, Mr. Geng Yankun, Mr. Li Qiuyu, and Mr. Han Liu, as non-executive Directors; and Mr. Chan Kok Chung, Johnny, Mr. Wong Hak Kun, Mr. Zhou Xiang and Ms. Huang Jing, as independent non-executive Directors.