

3 July 2025

*To: The independent board committee and the independent shareholders  
of Hangzhou SF Intra-city Industrial Co., Ltd.*

Dear Sir/Madam,

## **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTION**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the adoption of the Revised Annual Caps of the Last-mile Delivery Service under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 3 July 2025 (the “**Circular**”) issued by the Company to the holders of shares of the Company (the “**Shareholders**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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, for a fixed term from 1 January 2024 to 31 December 2026.

The Board envisages that the Original Annual Caps will not be sufficient to fulfil the additional demand of Last-mile Delivery Service under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement for the years ending 31 December 2025 and 2026. Hence, the Board proposes to increase the Original Annual Caps to the Revised Annual Caps to satisfy the increasing demand of the Last-mile Delivery Service.

With reference to the Board Letter, the Transactions constitute non-exempted continuing connected transactions and are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Chan Kok Chung, Johnny, Mr. Wong Hak Kun, Mr. Zhou Xiang and Ms. Huang Jing (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the SF Intra-city Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## **INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) continuing connected transactions of the Company (details of which are set out in the Company's circular dated 14 November 2023); and (ii) discloseable and continuing connected transactions of the Company (details of which are set out in the Company's circular dated 3 December 2024). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

## **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable

Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement and the Transactions. We consider that we have taken sufficient and necessary steps (including review of the SF Intra-city Group's financial information, the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement and certain individual transactions contemplated thereunder, discussion with the Company regarding the Revised Annual Caps) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, SF Holding or their respective subsidiaries or associates, nor have we considered the taxation implication on the SF Intra-city Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

### Business overview of the SF Intra-city Group

With reference to the Board Letter, the Company is a joint stock company incorporated in the PRC with limited liability. The SF Intra-city Group is principally engaged in the 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.

As advised by the Directors, the SF Intra-city Group believes that certain competitive strengths contribute to the SF Intra-city Group's success and position the SF Intra-city Group for continued growth, including but not limited to (i) largest third-party on-demand delivery service provider; (ii) the multi-scenario business model enhanced economies of scale and network effect; (iii) diverse and flexible network ensuring efficiency, quality and stability; (iv) well-recognized "SF" brand and strong synergy with SF Holding Group; (v) increasing synergies between intra-city on-demand delivery and intra-city express delivery, and the SF Intra-city Group's flexible logistics network is well-positioned to align with the growing demand for enhanced supply chain capabilities, driving the acceleration of intra-city logistics; and (vi) the SF Intra-city Group's hour-level on-demand delivery network which effectively met the accelerating timelines of intra-city express delivery.

Set out below are the consolidated financial information of the SF Intra-city Group for the two years ended 31 December 2024 as extracted from the annual report of the Company for the year ended 31 December 2024 (the "2024 Annual Report"):

	For the year ended 31 December 2024 RMB'000 (audited)	For the year ended 31 December 2023 RMB'000 (audited)	Change from 2023 to 2024 %
Continuing operations			
Revenue	15,746,083	12,387,416	27.1
Gross profit	1,071,496	794,740	34.8
Profit attributable to owners of the Company	132,460	50,595	161.8

As illustrated by the above table, the SF Intra-city Group recorded a substantial increase of approximately 27.1% in revenue from continuing operations for the year ended 31 December 2024 (“FY2024”) as compared to that for the year ended 31 December 2023 (“FY2023”). With reference to the 2024 Annual Report, such increase was mainly due to (i) an increase in order volume and further leveraging the economies of scale and network effect; (ii) the steadfast execution of a healthy and high-quality development strategy, driving continuous deepening of strategic partnerships and improvement of the business structure; and (iii) increased efforts to tap into lower-tier markets and improved performance in niche markets to attract more high-quality customers. The SF Intra-city Group’s gross profit (from continuing operations) also increased by approximately 34.8% for FY2024 as compared to that for FY2023. With reference to the 2024 Annual Report, such increase was mainly due to (i) further improved economies of scale driven by revenue growth; and (ii) enhanced operating quality and efficiency driven by digital intelligence technology and lean management. In addition, the SF Intra-city Group recorded a significant increase of approximately 161.8% in profit attributable to owners of the Company for FY2024 as compared to that for FY2023. With reference to the 2024 Annual Report, such increase was mainly due to the aforesaid increases in the SF Intra-city Group’s revenue and gross profit.

With reference to the 2024 Annual Report, the SF Intra-city Group will remain committed to their operational goal of “high-quality and healthy growth”. The SF Intra-city Group will embrace market opportunities in the diversified traffic, local retail development, accelerated intra-city logistics, and the ongoing expansion of third-party on-demand delivery services. The SF Intra-city Group will keep expanding on a large-scale, covering a wide range of scenarios, providing excellent services, and establishing a robust network. The SF Intra-city Group will remain focused on their core value contributions within the industry and urban operations. The SF Intra-city Group will also strive to expand the boundaries of on-demand fulfilment services, enhance their technological capabilities, and collaborate with more business partners.

#### **Information on SF Holding**

With reference to the Board Letter, SF Holding, a joint stock company established in the PRC with limited liability, is one of the controlling shareholders of the Company, with A shares listed on the Shenzhen Stock Exchange (stock code: 002352.SZ) and H shares listed on the Stock Exchange (stock code: 6936.HK). 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.

As at the Latest Practicable Date, SF Holding is held as to approximately 53.32% by Shenzhen Mingde Holdings Development Co., Ltd., which in turn was held by Mr. Wang Wei as to approximately 99.90%.

### Reasons for and benefit of the Transactions

As advised by the Directors, 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. This is supported by (i) the pricing policies of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement; and (ii) the SF Intra-city Group recorded revenue generated from the Independent Third Parties in respect of transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement (including the Last-mile Delivery Service).

In addition, the provision of Last-mile Delivery Service has enabled the SF Intra-city Group to (i) further optimise rider efficiency and improve economies of scale, leading to a reduction of fulfilment cost; and (ii) further expand network coverage and achieve network scale effect, and expand and strengthen the capacity of nationwide delivery networks. 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.

As advised by the Directors, the Last-mile Delivery Service also allows the SF Intra-city Group to leverage on the additional source of order volume with an aim to increase the order density and to ramp up the SF Intra-city Group's business scale more quickly and achieve a lower average fulfilment costs per order through optimization and stabilization of rider pool in new locations. At the same time, the emergence of new business scenarios in respect of last-mile delivery service, such as parcel distribution, e-commerce platform return logistics and collection services, will further drive rapid business growth and increased order density. Leveraging economies of scale, these developments contribute to cost reduction and operational efficiency.

We noted from the 2024 Annual Report that revenue generated from the Last-mile Delivery Service pursuant to the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement accounted for approximately 40.4% of the SF Intra-city Group's revenue for FY2024 and approximately 38.6% for FY2023.

As advised by the Directors, 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 services by utilizing its on-demand delivery force at the final stage of the express delivery services of SF Holding and/or its associates. Acting as a supplement to SF Holding Group's last-mile delivery force, the SF Intra-city Group will collect certain parcels from the local delivery outlets of SF Holding Group or the warehouses of corporate customers of SF Holding Group and deliver the parcels to the designated recipients by the SF Intra-city Group's riders or vehicles. The Company could therefore expand its source of income and expand network and achieve network effect.

Based on the above, we are of the view that the Last-mile Delivery Service is in the interest of the Company and Shareholders as a whole and conducted in the ordinary and usual course of business of the SF Intra-city Group.

With reference to the Board Letter, the Board has been monitoring the performance of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement. Taking into account of various factors (details of which are set out in the Board Letter), the Board envisages that the Original Annual Caps will not be sufficient to fulfil the additional demand of Last-mile Delivery Service under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement for the years ending 31 December 2025 and 2026. Hence, the Board proposes to increase the Original Annual Caps to the Revised Annual Caps to satisfy the increasing demand of the Last-mile Delivery Service.

Having considered that (i) the Last-mile Delivery Service is in the interest of the Company and Shareholders as a whole and conducted in the ordinary and usual course of business of the SF Intra-city Group; and (ii) the Original Annual Caps will not be sufficient to fulfil the additional demand of Last-mile Delivery Service under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement for the years ending 31 December 2025 and 2026, we are of the view that the Transactions are in the interest of the Company and Shareholders as a whole and conducted in the ordinary and usual course of business of the SF Intra-city Group.

#### **Principal terms of the Transactions**

Set out below are the key terms of the Transactions, details of which are set out under the section headed “Principal terms of the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement” of the Board Letter.

<b>Date:</b>	19 October 2023
<b>Parties:</b>	(i) The Company (as service provider); and (ii) SF Holding (as service recipient)
<b>Term:</b>	A fixed term from 1 January 2024 to 31 December 2026
<b>Subject matter of the Last-mile Delivery Service:</b>	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.

### *Pricing policy*

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(s)”). The mark-up will be determined on arm’s length basis. The overall mark-up for the majority of the Last-mile Delivery Services is typically in the range of approximately 5-10%, which may further be affected by factors such as seasonality, supply and demand, 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 the SF Intra-city Group provides 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, and will be no less favourable to the Company than, the service fees mark-up charged on Independent Third Parties in the same period. 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. Whether the bidding process is necessary is subject to the discretion of SF Holding and/or its associates. During the bidding process, SF Intra-Group’s 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 the Shareholders as a whole.

Based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving purchase or sale of materials/products/services from/to their connected persons, we noted that comparing prices with those offered by/to independent third parties for the same/similar product/service is one of the commonly adopted pricing policies. As (i) 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; and (ii) the Company adopted internal control procedures to ensure the terms under the Last-mile Delivery Service are fair and reasonable or no less favourable to the SF Intra-city Group than terms available to or from independent third parties and are carried out under normal commercial terms, we consider the pricing policy of Last-mile Delivery Service is fair and reasonable.

With reference to the Board Letter, in order to ensure the terms under the Last-mile Delivery Service are fair and reasonable or no less favourable to the SF Intra-city Group than terms available to or from independent third parties and are carried out under normal commercial terms, the Company has adopted the certain internal control procedures. Details of the steps were set out under the section headed “Internal Control Procedures” of the Board



Letter. As there will be periodic assessment on the service fees for the Last-mile Delivery Service (including the comparison with terms offered to independent third parties and the proposed engagement of independent third-party professional institutions to evaluate the Last-mile Delivery Service), we consider the effective implementation of the internal control procedures would help to ensure fair pricing of the Last-mile Delivery Service according to the pricing policy.

To assess the effectiveness of implementation of the internal control procedures, we performed the following works:

- we obtained spreadsheets (which were generated from the Company's financial system) showing 15 records of the services fees payable by SF Holding Group to the SF Intra-city Group and the commission fees payable by the SF Intra-city Group to its riders for FY2024 and first quarter of 2025. The aforesaid records were selected by us on a random selection basis. We further requested the Company to provide comparable transactions showing the services fees payable by the Independent Third Parties to the SF Intra-city Group and the commission fees payable by the SF Intra-city Group to its riders for the corresponding period and same city to the selected transactions. Based on the aforesaid documents and information, there were around 45 transaction records in total.

As the transaction records showed the relevant information for the period from the effective date of 2024–2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement to 31 March 2025 and covered each month throughout the aforesaid period, we are of the view that the numbers of transactions as mentioned above are sufficient for us to form our view and such transactions are fair and representative. Based on the aforesaid documents, we noted that for last-mile delivery services in the same city, the Mark-ups from the services fees payable by SF Holding Group to the SF Intra-city Group were not lower than those from the services fees payable by the Independent Third Parties to the SF Intra-city Group for the same period.

Having considered our findings as mentioned above, we do not doubt the effectiveness of the implementation of the internal control measures for the Last-mile Delivery Service.

### **Payment Terms**

The service fees for the Last-mile Delivery Service will be settled by bank transfers into designated bank accounts on a monthly basis.

According to the 2024 Annual Report, trade receivables from (i) related parties are granted with a credit period of 30 days; and (ii) third party customers are usually granted with a credit period ranging between 15 and 90 days.

Based on the above, we consider the payment terms are on normal commercial terms.

### The Revised Annual Caps

Set out below are (i) the historical amounts of the provision of Last-mile Delivery Service via the SF Holding Group for the year ended 31 December 2024 and three months ended 31 March 2025 with original annual caps; (ii) the Revised Annual Caps for the two years ending 31 December 2026:

	For the year ended 31 December 2024 (RMB' million)	For the year ending 31 December 2025 (RMB' million)	For the year ending 31 December 2026 (RMB' million)
Historical transaction amounts			
Historical amounts of the provision of Last-mile Delivery Service	6,369.0	2,017.9 (Note)	N/A
Original annual caps	7,160.0	9,455.0	12,270.0
Utilisation rates	89.0%	21.3%	N/A
		For the year ending 31 December 2025 (RMB' million)	For the year ending 31 December 2026 (RMB' million)
Revised Annual Caps		12,845	20,551

Note: The figure was for the three months ended 31 March 2025.

The basis for determining the Revised Annual Caps for the two years ending 31 December 2026 are set out under section headed "Basis for the Revised Annual Caps" of the Board Letter.

### FY2025

To assess the fairness and reasonableness of the Revised Annual Caps for FY2025, we conducted the following analyses:

- According to the calculation regarding the Revised Annual Caps for FY2025 (which was provided by the Company), the Revised Annual Caps for FY2025 were determined with reference to (i) the estimated demand of Last-mile Delivery Service (in monetary terms) for FY2025 (i.e. RMB11,677 million); and (ii) a buffer of 10% in addition to (i), for the corresponding period.

- As advised by the Directors, the estimated demand of Last-mile Delivery Service (in monetary terms) for FY2025 (i.e. RMB11,677 million) was determined based on (i) actual demand of Last-mile Delivery Service (in monetary term) for the three months ended 31 March 2025 (i.e. RMB2,017.9 million); and (ii) the implied proportion of the actual demand of Last-mile Delivery Service (in monetary term) in first quarter to that for the full financial year (the “1Q Proportion Ratio”) of approximately 17.3% for FY2025.

We noted that the 1Q Proportion Ratio for FY2023 and FY2024 were approximately 23.8% and 19.8% respectively. Although the 1Q Proportion Ratio for FY2025 was lower than those for FY2023 and FY2024, it is justified by (i) the decreasing trend in the 1Q Proportion Ratio observed from 2023 to 2024; (ii) the Directors expected to record a faster growth in second quarter, third quarter and fourth quarter of 2025; and (iii) supporting figures from FY2024, where year-on-year growth rates for first quarter, second quarter, third quarter and fourth quarter of 2024 was approximately 10.6%, 29.3%, 42.3% and 47.6% respectively). Therefore, we consider that the implied 1Q Proportion Ratio for FY2025 to be justifiable.

Given the above, the implied demand of Last-mile Delivery Service (in monetary terms) for FY2025, calculated by the actual demand of Last-mile Delivery Service (in monetary terms) for the three months ending 31 March 2025 (“1Q2025”) divided by the 1Q Proportion Ratio for FY2025, was approximately RMB11,664 million. This figure was very close to (with difference of less than 1%) the Company’s estimated demand for Last-mile Delivery Service (in monetary terms) for FY2025 (i.e. RMB11,677 million).

- the Directors anticipated a continuous increase in demand for Last-mile Delivery Service to be provided via SF Holding Group and/or its associates. The demand for Last-mile Delivery Service to be provided via SF Holding Group and/or its associates was directly linked to the performance of SF Holding Group’s logistic services provision. They also considered that benefiting from a vast industrial chain structure and strong consumption capacity, China’s logistics sector still harbors substantial untapped potential, offering immense growth opportunities for integrated logistics service providers. SF Holding, being the largest integrated logistics service provider in China and Asia, and the fourth largest player globally, still possesses significant growth potential, which will further drive the expansion of its last-mile delivery business in collaboration with the SF Intra-city Group.

As stated in the annual report of SF Holding for FY2024, the stimulation of domestic demand and industrial upgrades in China will create structural growth opportunities in the logistics sector. In 2025, the government is expected to broaden and intensify subsidy policies, covering more industries and product categories while raising subsidy ratios. These measures will effectively stimulate consumer demand, drive industrial development, and consequently accelerate growth in e-commerce logistics, urban delivery, large-item logistics, and reverse logistics. According to

projections from the State Post Bureau, China's express delivery industry is expected to handle 190 billion parcels in 2025, with express delivery revenue surpassing RMB1.5 trillion, representing an annual growth rate of approximately 8%. Meanwhile, policy support and logistics infrastructure improvements are fueling the expansion of rural e-commerce, leading to increased demand for cold chain logistics, warehousing, and distribution services as agricultural products are shipped to urban markets. Additionally, the inflow of industrial goods into rural areas is driving rapid growth in last-mile logistics for lower-tier markets. As China's industrial landscape upgrades, high-end manufacturing sectors such as electronic information, biopharmaceuticals, and new energy will experience a surge in logistics demand, particularly for high-precision and time-sensitive services. The shift towards personalized and customized production models will also require logistics providers to offer more flexible and tailored solutions to meet the diverse needs of different industries.

In light of the above factors, particularly the consistency between estimated and implied demand figures, we are of the view that the estimated demand of Last-mile Delivery Service (in monetary terms) for FY2025 are fair and reasonable.

As mentioned above, a buffer of 10% were adopted in addition to the estimated demand of Last-mile Delivery Service (in monetary terms) for FY2025. As advised by the Directors, the aforesaid arrangement was determined after considering the unexpected circumstances may take place for FY2025 (i.e. new scenario coverage which lead to the unexpected increase in volume, etc.). Having considered (i) that unexpected circumstances may take place; and (ii) incorporation of buffer of no more than 10% in proposed annual caps are not uncommon among companies listed on the Stock Exchange, we consider that the buffer of 10% (which falls within the aforesaid range) to be acceptable.

Based on the above, we are of the view that the Revised Annual Cap for FY2025 is fair and reasonable.

#### ***FY2026***

The Revised Annual Cap for FY2026 represented an increase of approximately 60.0% as compared to that for FY2025. We consider this increase justified based on (i) SF Intra-city Group recorded a substantial year-on-year increase in Last-mile Delivery Service Demand in 2024 (i.e. 33.3%) and recorded a further year-on-year increase in Last-mile Delivery Service demand for 1Q2025 (i.e. 60.3%); and (ii) the anticipated continuous increase in demand for Last-mile Delivery Service to be provided via SF Holding Group and/or its associates (as detailed in the "FY2025" section above).

Accordingly, we are of the view that the Revised Annual Cap for FY2026 is fair and reasonable.

Shareholders should note that as the Revised Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of revenue to be recognised or cost incurred from the Last-mile Delivery Service. Consequently, we express no opinion as to how closely the actual revenue or cost to be recognised or incurred from the Last-mile Delivery Service will correspond with the Revised Annual Caps.

We further noted from the internal control procedures that the Company's finance department will closely monitor the actual transaction amounts relating to the continuing connected transactions under the Intra-city On-demand Delivery Service Cooperation Framework Agreement on a monthly basis and there will also be reporting procedures to further determine if there is a need to revise the existing annual caps when the actual transaction amount reaches certain threshold of the existing annual caps. Therefore, we also consider that there will be sufficient procedures to monitor the annual caps.

Having considered the above, including the principal terms of the Transactions and the Revised Annual Caps, we are of the view that the terms of the Transactions are fair and reasonable.

#### **Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement must be restricted by the respective annual caps for the period concerned under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement; (ii) the terms of the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the value of the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement are anticipated to exceed the respective annual caps, or that there is any proposed material amendment to the terms of the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the 2024-2026 Intra-city On-demand Delivery Service Cooperation Framework Agreement and thus the interest of the Independent Shareholders would be safeguarded.

### **RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the SF Intra-city Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**



**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

\* *For identification purpose only*