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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the “**Board**”) of Hangzhou SF Intra-City Industrial Co., Ltd. (the “**Company**”) hereby announces the results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2020. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated November 30, 2021 issued by the Company (the “**Prospectus**”).

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

- Our revenue increased from approximately RMB4,843.4 million for the year ended December 31, 2020 to approximately RMB8,174.0 million for the year ended December 31, 2021, representing an increase of 68.8%.
- We have achieved a gross profit of RMB94.8 million and a gross profit margin of 1.2% in the year ended December 31, 2021, compared with a gross loss of RMB188.5 million and a gross loss margin of 3.9% in the year ended December 31, 2020.
- Our net loss and net loss margin for the year ended December 31, 2021 was RMB898.9 million and 11.0%, respectively. Our net loss margin has continued to improve over the years.
- The Board has resolved not to recommend the distribution of a final dividend for the year ended December 31, 2021 (2020: nil).

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
	Notes	2021	2020
		RMB'000	RMB'000
Revenue	5	8,173,953	4,843,366
Cost of revenue	6	(8,079,144)	(5,031,872)
Gross profit/(loss)		94,809	(188,506)
Selling and marketing expenses	6	(270,348)	(111,016)
Research and development expenses	6	(123,441)	(69,374)
Administrative expenses	6	(655,132)	(418,017)
Other income		44,847	18,081
Other gains, net		731	441
Net impairment losses of financial assets		(4,477)	(850)
Operating loss		(913,011)	(769,241)
Finance income		18,055	2,978
Finance costs		(7,630)	(17,927)
Finance income/(costs), net		10,425	(14,949)
Loss before income tax		(902,586)	(784,190)
Income tax credit	7	3,735	26,513
Loss and total comprehensive loss for the year		(898,851)	(757,677)
Loss and total comprehensive loss attributable to			
– Owners of the Company		(898,851)	(757,677)
Losses per share (expressed in RMB per share)			
– Basis and diluted losses per share (in RMB)	8	(1.28)	(1.60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
	Notes	2021	2020
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Financial assets at fair value through other comprehensive income		3,000	3,000
Property, plant and equipment		16,715	11,306
Intangible assets		173,939	135,797
Right-of-use assets		37,811	36,031
Deferred income tax assets		144,090	140,355
Total non-current assets		375,555	326,489
Current assets			
Inventories		4,202	6,819
Trade receivables	9	764,299	678,363
Other receivables and prepayments		153,588	71,176
Amounts due from related parties		42,961	67,205
Financial assets at fair value through profit or loss		330,084	—
Cash and cash equivalents		2,538,226	263,468
Total current assets		3,833,360	1,087,031
Total assets		4,208,915	1,413,520
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	933,458	586,629
Share premium	10	4,161,560	896,989
Shares held for employee share scheme		—	(4,426)
Other reserves		831,060	604,056
Accumulated losses		(2,616,635)	(1,717,784)
Total equity		3,309,443	365,464

		As at December 31,	
	Notes	2021	2020
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>20,505</u>	<u>25,714</u>
Total non-current liabilities		<u>20,505</u>	<u>25,714</u>
Current liabilities			
Trade payables	11	488,025	371,635
Other payables and accruals		319,366	231,570
Amounts due to related parties		20,429	19,501
Contract liabilities		34,494	21,847
Lease liabilities		16,653	10,709
Borrowings		<u>–</u>	<u>367,080</u>
Total current liabilities		<u>878,967</u>	<u>1,022,342</u>
Total liabilities		<u>899,472</u>	<u>1,048,056</u>
Total equity and liabilities		<u><u>4,208,915</u></u>	<u><u>1,413,520</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was a joint stock company incorporated in the People's Republic of China (the “**PRC**”) on June 21, 2019 with limited liability. The address of the Company's registered office and the principal place of business are respectively located at Room 1626, 16/F, Chengchuang Building, 198 Zhoushan East Road, Gongshu District, Hangzhou City, Zhejiang Province, PRC and Floor 1A-21, Software Industry Base, Nanshan District, Shenzhen City, Guangdong Province, PRC.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the intra-city on-demand delivery services in the PRC.

The ultimate holding company of the Company is Shenzhen Mingde Holding Development Co., Ltd. (the “**Mingde Holding**”), which is incorporated in the PRC with limited liability. The intermediate holding company of the Company is S.F. Holding Co., Ltd. (the “**SF Holding**”), which is incorporated in PRC with limited liability, and the shares of SF Holding have been listed on Shenzhen Stock Exchange. The ultimate controlling party of the Group is Mr. Wang Wei.

The Company completed its primary listing on Main Board of the Stock Exchange of Hong Kong Limited. (“**HKSE**”) (“**the Listing**”) on December 14, 2021.

The consolidated financial information is presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (“**FVPL**”) and financial assets at fair value through other comprehensive income (“**FVOCI**”), which are carried at fair value.

3 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following amendments for the first time for their annual reporting period commencing January 1, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2
Amendments to IFRS 16	Covid-19-Related Rent Concessions

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37	Onerous Contract – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	Annual Improvements to IFRSs 2018-2020	January 1, 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date yet determined but available for adoption
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

5 SEGMENT INFORMATION AND REVENUE

The chief operating decision-maker (“**CODM**”) identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments. An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group’s management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

As a result of this evaluation, the CODM considers that the Group's operations are operated and managed as two segments, which are intra-city on-demand delivery service business and other business including online group catering platform and delivery services, for the year ended December 31, 2021 and 2020.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment. Profit and loss of the Company, share based payment and professional service fee of the Group are not allocated to segments as management considers they are not directly correlate with the underlying performance of the Group's operating segments.

(a) Description of segments and principal activities

	Year ended December 31, 2021			
	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	8,159,897	14,056	–	8,173,953
Cost of revenue	(8,051,377)	(27,767)	–	(8,079,144)
Gross profit/(loss)	108,520	(13,711)	–	94,809
Selling and marketing expenses	(169,445)	(53,925)	(46,978)	(270,348)
Research and development expenses	(95,922)	(27,519)	–	(123,441)
Administrative expenses	(345,249)	(37,887)	(271,996)	(655,132)
Other income	36,003	111	8,733	44,847
Other gains, net	(8,077)	5	8,803	731
Net impairment losses of financial assets	(4,161)	(316)	–	(4,477)
Segment loss	(478,331)	(133,242)	(301,438)	(913,011)
Finance income				18,055
Finance cost				(7,630)
Finance income – net				10,425
Loss before income tax				(902,586)
As at December 31, 2021				
Assets				
Segment assets	1,099,402	121,955	2,843,468	4,064,825
Deferred income tax assets				144,090
Total Assets				4,208,915
Liabilities				
Segment liabilities	777,827	55,529	66,116	899,472
Total Liabilities				899,472
Other segment information				
Amortization of intangible assets	37,959	9,926	–	47,885
Depreciation of property, plant, and equipment	6,875	660	–	7,535
Depreciation of right-of-use assets	14,505	1,508	–	16,013
Additions of non-current assets except for deferred income tax assets	74,323	44,476	–	118,799

	Year ended December 31, 2020			
	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	4,841,920	1,446	–	4,843,366
Cost of revenue	<u>(5,027,499)</u>	<u>(4,373)</u>	<u>–</u>	<u>(5,031,872)</u>
Gross loss	<u>(185,579)</u>	<u>(2,927)</u>	<u>–</u>	<u>(188,506)</u>
Selling and marketing expenses	(107,814)	(3,202)	–	(111,016)
Research and development expenses	(69,374)	–	–	(69,374)
Administrative expenses	(236,144)	(15,523)	(166,350)	(418,017)
Other income	16,125	1	1,955	18,081
Other gains, net	50	(390)	781	441
Net impairment losses of financial assets	<u>(774)</u>	<u>(76)</u>	<u>–</u>	<u>(850)</u>
Segment loss	<u>(583,510)</u>	<u>(22,117)</u>	<u>(163,614)</u>	<u>(769,241)</u>
Finance income				2,978
Finance cost				<u>(17,927)</u>
Finance cost – net				<u>(14,949)</u>
Loss before income tax				<u>(784,190)</u>
As at December 31, 2020				
Assets				
Segment assets	<u>1,159,859</u>	<u>58,519</u>	<u>54,787</u>	<u>1,273,165</u>
Deferred income tax assets				<u>140,355</u>
Total Assets				<u><u>1,413,520</u></u>
Liabilities				
Segment liabilities	<u>972,645</u>	<u>66,685</u>	<u>8,726</u>	<u>1,048,056</u>
Total Liabilities				<u><u>1,048,056</u></u>
Other segment information				
Amortization of intangible assets	31,748	2,068	–	33,816
Depreciation of property, plant, and equipment	3,230	61	–	3,291
Depreciation of right-of-use assets	8,919	–	–	8,919
Additions of non-current assets except for deferred income tax assets	<u>69,032</u>	<u>27,965</u>	<u>–</u>	<u>96,997</u>

(b) Revenue by business line and nature

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At a point in time		
– Intra-city on-demand delivery service	8,159,897	4,841,920
– Others	14,056	1,446
Revenue from contracts with customers	<u>8,173,953</u>	<u>4,843,366</u>

(c) Geographical information

Since all of the Group's revenue and operating loss were generated in PRC and all of the Group's identifiable assets and liabilities were located in PRC, no geographical information is presented.

(d) Information about major customers

For the years ended December 31, 2021, the Group's revenue derived from 1 major customer (2020: 2), which individually contributed 10% or more of the Group's total revenue, for approximately RMB3,056.0 million (2020: RMB2,141.3 million), accounting for approximately 37.4% (2020: 44.2%) of the Group's total revenue.

6 EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Labour outsourcing costs	8,026,539	4,914,042
Employee benefit expenses	670,824	460,551
Marketing and promotion expenses	133,978	31,788
Information service expenses	49,496	36,132
Costs of materials	48,475	34,661
Amortization of intangible assets	47,885	33,816
Office and rental expenses	25,082	13,462
Listing expenses	20,756	5,934
Call center service expenses	18,079	10,394
Professional service expenses	18,145	18,253
Depreciation of right-of-use assets	16,013	8,919
Travelling expenses	8,803	5,736
Depreciation of property, plant and equipment	7,535	3,291
Other taxes and surcharges	5,854	3,879
Auditor's remuneration		
– Audit service	2,430	497
– Non-audit service	220	–
Transportation expenses	2,396	12,630
Insurance expenses	399	2,907
Others	25,156	33,387
	<u>9,128,065</u>	<u>5,630,279</u>

7 INCOME TAX CREDIT

(a) Income tax credit

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
PRC corporate income tax		
Current income tax	–	(610)
Deferred income tax	(3,735)	(25,903)
Income tax credit	<u>(3,735)</u>	<u>(26,513)</u>

The Group's principal applicable taxes and tax rates are as follows:

PRC corporate income tax ("CIT")

CIT was made on the taxable income of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% for the years ended December 31, 2021 and 2020.

The Company's subsidiaries, Beijing Shunda Tongxing Technology Co., Ltd and Shanghai Fengzan Technology Co., Ltd are subject to "high and new technology enterprises" and, accordingly, were eligible for a preferential income tax rate of 15% for the years ended December 31, 2021.

(b) Reconciliation of income tax credit

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	(902,586)	(784,190)
Tax calculated at applicable statutory tax rate of 25%	(225,647)	(196,048)
Tax effect of unrecognised tax losses and temporary differences	186,294	139,297
Expenses not deductible for tax purposes	60,596	37,885
Over provision in prior year	–	(610)
Utilization of previously unrecognized tax temporary differences and tax losses	(8,947)	–
Super deduction of research and development expense	(15,985)	(7,037)
Others	(46)	–
	<u>(3,735)</u>	<u>(26,513)</u>

8 LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss for the years attributable to ordinary shareholders by the weighted average number of outstanding shares in issue excluding shares held for employee share scheme during the years ended December 31, 2021 and 2020.

	Year ended December 31,	
	2021	2020
Loss attributable to equity holders of the Company (RMB'000)	(898,851)	(757,677)
Weighted average number of shares in issue	701,718,240	473,887,445
Basic losses per share (in RMB)	<u>(1.28)</u>	<u>(1.60)</u>

(b) Diluted losses per share

For the year ended December 31, 2021 and 2020, the Company had one category of dilutive potential ordinary shares: restricted share granted to employees under Pre-IPO Restricted Share Scheme. The Group incurred losses for the year ended December 31, 2021 and 2020. As the potential ordinary shares would be anti-dilutive, they were not included in the calculation of dilutive losses per share. Accordingly, dilutive losses per share for the years ended December 31, 2021 and 2020, were the same as the basic losses per share for the respective years.

9 TRADE RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
– related parties	369,167	320,956
– third parties	<u>397,727</u>	<u>359,404</u>
	<u>766,894</u>	<u>680,360</u>
Impairment loss allowance	<u>(2,595)</u>	<u>(1,997)</u>
	<u>764,299</u>	<u>678,363</u>

(a) The following is an ageing analysis of trade receivables presented based on invoice date:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Within 30 days	588,513	547,630
30 to 180 days	<u>178,381</u>	<u>132,730</u>
	<u>766,894</u>	<u>680,360</u>

Third party customers are usually granted with a credit period ranging between 15 and 90 days, which depends on amounts of transaction and credit position of specific customers. Trade receivables from related parties are granted with a credit period of 30 days.

10 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued :				
As at January 1, 2020	289,893,913	289,894	106,922	396,816
Capital injections from Beijing SF Intra-city Technology Co., Ltd.	15,000,000	15,000	–	15,000
Capital injections from series A investors	37,500,000	37,500	173,902	211,402
Capital injections from share incentive scheme (i)	10,000,000	10,000	–	10,000
Capital injections from SF Holding Limited	128,000,000	128,000	–	128,000
Capital injections from Taisen Holdings	106,235,295	106,235	616,165	722,400
As at December 31, 2020	586,629,208	586,629	896,989	1,483,618
Capital injections from series B investors (ii)	103,407,347	103,407	1,292,675	1,396,082
Capital injections from Taisen Holdings (iii)	30,294,501	30,295	378,705	409,000
Capital injections from Jiaxing Fengrong (iii)	1,945,851	1,946	24,325	26,271
Capital injections from share incentive scheme (i)	80,000,000	80,000	18	80,018
Shares issued pursuant to the IPO (iv)	131,180,800	131,181	1,626,496	1,757,677
Share issuance cost (iv)	–	–	(57,648)	(57,648)
As at December 31, 2021	933,457,707	933,458	4,161,560	5,095,018

- (i) In December 2019, Ningbo Shunxiang Tongcheng Venture capital Investment Partnership (Limited Partnership) (the “**Ningbo Shunxiang**”, 寧波順享同成創業投資合夥企業(有限合夥)) subscribed 90,000,000 registered shares of the Company. In April 2020, Ningbo Shunxiang injected RMB10 million as paid-in capital. In June 2021, Ningbo Shunxiang and Sharp Land Development Limited injected RMB60 million and RMB20 million as paid-in capital respectively.
- (ii) In December 2020, the Company had entered into a set of arrangements in relation to Series B rounds of Pre-IPO investment (the “**Series B**”), and issued Series B shares at an issue price of RMB13.50 per share.
- (iii) On March 16, 2021 and March 18, 2021, the Company had entered into subscription agreements with Jiaxing Fengrong Equity Investment Partnership (Limited Partnership) (the “**Jiaxing Fengrong**”, 嘉興豐榮股權投資合夥企業(有限合夥)) and SF Taisen Holdings Group Co., Ltd (“**Taisen Holdings**”) to issue 1,945,851 shares and 30,294,501 shares respectively, at an issue price of RMB13.50 per share. In March 2021, the Company received capital injection of approximately RMB409 million from Taisen Holdings in cash. In April 2021, the Company received capital injection of approximately RMB26 million from Jiaxing Fengrong in cash.
- (iv) On December 14, 2021, 131,180,800 ordinary shares were issued at an offer price of HKD16.42 per share pursuant to the IPO. Gross proceeds from the issuance of these shares amounted to approximately HKD2,154 million (equivalent to approximately RMB1,758 million). After netting of share issuance cost of approximately RMB57.7 million, approximately RMB131.2 million and RMB1,568.8 million are credited to the share capital and share premium account of the Company respectively.

11 TRADE PAYABLES

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to related parties	18,897	27,565
Outsourcing cost payable	<u>469,128</u>	<u>344,070</u>
	<u>488,025</u>	<u>371,635</u>

The aging analysis of the trade payables based on invoice date are as follows:

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	480,707	370,741
3 months to 1 year	<u>7,318</u>	<u>894</u>
	<u>488,025</u>	<u>371,635</u>

12 DIVIDENDS

No dividend has been paid or declared by the Group during each of the financial years ended December 31, 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are the largest third-party on-demand delivery service platform in China^(Note). 2021 is another remarkable year of our corporate and business development. We have achieved significant growth by further leveraging on our multi-scenario business model and our full coverage of products and services. Our revenue grew by 68.8% from RMB4,843.4 million in the year ended December 31, 2020 to RMB8,174.0 million in the year ended December 31, 2021.

Furthermore, with enhanced economies of scale and network effect and through further optimising our operating leverage and efficiency, we have achieved gross profit/loss margin improvements for three consecutive years, with a gross profit of RMB94.8 million and a gross profit margin of 1.2% in the year ended December 31, 2021, compared with a gross loss of RMB188.5 million and a gross loss margin of 3.9% in the year ended December 31, 2020. In particular, our continuing investment and optimisation of technologies, including the application of big data and AI technologies in our City Logistics System (“CLS”), has enabled us to achieve higher operational efficiency and lower delivery costs in 2021. For details, please refer to the paragraph headed “Our Technologies” in this announcement.

We serve customer needs across various industries and product categories. We provide both (i) intra-city delivery for merchants and consumers; and (ii) last-mile delivery mainly for logistics companies. The following table sets forth our revenue breakdown:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Intra-city on-demand delivery service	8,159,897	4,841,920
Intra-city delivery service	5,089,644	3,220,164
(1) To Merchants (<i>i.e. to B</i>)	3,882,508	2,740,666
(2) To Consumers (<i>i.e. to C</i>)	1,207,136	479,498
Last-mile delivery service	3,070,253	1,621,756
Others	14,056	1,446
Total	8,173,953	4,843,366

^(Note) Such ranking is based on independent third-party order volume in China in 2021, according to iResearch. The calculation of order volume takes into account the number of orders sourced independently by the market players, excluding orders from related parties.

Intra-city Delivery

Revenue from our intra-city delivery service increased by 58.1% from RMB3,220.2 million in the year ended December 31, 2020 to RMB5,089.6 million in the year ended December 31, 2021. Such significant growth in revenue was mainly attributable to: (i) the strong performance of our non-food delivery scenarios^(Note 1), which has achieved a year-on-year revenue growth of 105% to RMB1,871.5 million in the year ended December 31, 2021, accounting for 37% of our total revenue from intra-city delivery; (ii) the gradual awareness by our customers of the value of third-party on-demand delivery platforms, driven by its cost effectiveness and its ability to bring private domain traffic to our merchant customers; (iii) further expansion of our active merchant^(Note 2) base and active consumer^(Note 3) base, which has enabled us to maintain a reliable, comprehensive and high-quality service matrix; and (iv) our efforts in further expanding our service network beyond first- and second-tier cities into lower-tier cities^(Note 4) with larger growth potential in both customer demand and rider resources. Revenue from lower-tier cities and counties increased by 89% year-on-year to RMB1,673.6 million in the year ended December 31, 2021. At the same time, for cities and counties with existing operations, we have continued to improve the order density and diversity of service scenarios.

Intra-city Delivery to Merchants

We empower merchants with our open and inclusive on-demand delivery network as well as our professional and comprehensive solutions. The number of our active merchants increased from approximately 167,000 in 2020 to over 258,000 in 2021. We believe we have become the go-to third-party on-demand delivery service provider for our merchant customers.

Our comprehensive service matrix endeavours to attend to each merchant's needs to the greatest possible extent. To illustrate, we offer one-on-one tailored solutions for our key accounts customers and standard value-for-money options for our SME customers. By further leveraging our multi-scenario business model, we have achieved remarkable revenue growth as compared to 2020, with over 165% year-on-year growth in revenue attributable to deliveries for merchants in the pharmaceutical industry, the apparel industry, and 3C (Computer, Communication and Consumer) electronics industry and over 95% year-on-year growth in revenue attributable to deliveries for merchants in local e-commerce and retail scenarios covering categories such as fresh produce, flowers, desserts and other groceries. Adopting our customer-centric approach, we have also deepened our cooperation with various leading brands and established amicable business relationships with over 2,300 merchant brands, including (i) retailers such as Carrefour (家樂福) and Rainbow (天虹), (ii) 3C electronic vendors such as Xiaomi (小米) and OPPO, (iii) pharmacies such as Cowell Health (高濟醫療) and Shu Yu Civilian Pharmacy (漱玉平民), and (iv) apparel retailers such as Bestseller (綾致). By maintaining high-quality, stable and customer-centric services, we have achieved a 86% retention rate for our Top 100 key accounts customers in 2021.

^(Note 1) “non-food delivery scenarios” refers to local consumption scenarios that are unrelated to food delivery scenarios, mainly comprising local retail, local e-commerce and local services.

^(Note 2) “active merchant(s)” refers to the number of unique merchant accounts that purchase a particular service at least once during the prescribed period.

^(Note 3) “active consumer(s)” refers to the number of unique consumer accounts that purchase a particular service at least once during the prescribed period.

^(Note 4) “lower-tier cities” refers to cities, counties and towns that are in the third tier or below.

We have also sought to continuously explore diverse service scenarios and solutions with our merchant customers. In particular, we have launched new delivery solutions and tailored services to our merchant customers in different industries based on their specific business needs.

- Retail industry: we have developed new delivery services and tailored solutions in multi-scenarios, including delivery within an hour (小時達), delivery within half a day (半日達), multi-point pick-up single-point delivery (多點取一點送) and clothing/garment try-on from department stores, to address the integrated needs of our merchant partners.
- 3C industry: we provide expedited delivery for newly arrived products (新品首發極速達), “Online order, instant delivery to customers” service (線上下單門店到 C) and on-demand inter-warehouse allocation of inventory (店間庫存的調撥).
- Pharmaceutical industry: we offer temperature-controlled delivery of cold chain medicines with customized packaging (精溫專遞).

In addition, we have leveraged our rich rider resource to serve local services scenarios (近場服務), driven mainly by the needs of consumers and businesses for on-demand customized services. For instance, we run errands for consumers on the spot and help fulfill business needs such as assisting advertisers in checking whether outdoor advertisements are properly displayed.

To embrace the opportunities of multi-channel traffic, one of our significant strategies has been to accommodate various local lifestyle service channels by providing timely on-demand delivery services, enabling merchants to deliver the goods directly pursuant to customers’ online purchase, via the “Online order, instant delivery to customers” service. In the meantime, our service scenarios are enriched by gaining online traffic. For example, by tapping into the WeChat ecosystem, we have integrated our delivery services with various WeChat functions including (i) the real-time logistics assistant (即時物流助手), embedded in the WeChat Mini Program and (ii) the accounts ledger services (收款小賬本), which has enabled small- and medium-sized merchants to establish an online retail store, arrange intra-city delivery and receive payment, all with a few clicks. As a result, merchants in the WeChat ecosystem can use our services conveniently, achieving a closed loop online-to-offline (O2O) customer acquisition process. Meanwhile, we have also served vertical platforms, such as grocery e-commerce platforms and community e-commerce platforms, as a supplementary delivery force during peak hours and seasons, night time and under bad weather conditions.

In response to the rise of e-commerce live streaming, we have developed comprehensive on-demand delivery solutions tailored for e-commerce live streaming platforms, enabling real-time delivery whilst the live stream is still ongoing. Our services are embedded in the merchants’ live streams, during which our services will be promoted for users to opt for, hence enabling us to concurrently increase order volume and attain higher penetration in both merchants’ and consumers’ segments.

We also strategically cooperate with SF Holding Group’s ecosystem participants to tailor one-stop comprehensive supply chain logistics solutions for customers. Such cooperation has enabled SF Holding Group and us to provide customers with smart and integrated supply chain solutions covering various industries and application scenarios, which has broadened customer reach and increased customer loyalty for both SF Holding Group and us. In 2021, our service to Credit Customers^(Note 5) with SF Holding Group has led to contribution of RMB97.8 million in our revenue, further strengthening our intra-city delivery business.

^(Note 5) “Credit Customers” refers to certain existing customers who have entered into Master Service Agreements with SF Holding and/or its associates in respect of a variety of delivery and logistics solution service products SF Holding Group and/or its associates offers.

Intra-city Delivery to Consumers

We have achieved over 150% year-on-year growth in terms of revenue for intra-city delivery service to consumers for three consecutive years, primarily attributable to our continuously fast-growing consumer base. Our consumer base has doubled in 2021 as compared to the preceding year. The number of our active consumers increased from approximately 5.1 million in 2020 to approximately 10.6 million in 2021. Such increase in our consumer base is primarily attributable to (i) the increasing penetration of intra-city on-demand delivery service driven by increasing demand for timeliness by consumers; (ii) the stronger recognition of our brand by our consumers; and (iii) the easy access to our services through various channels including SF City Rush App (順豐同城急送APP), Mini Program, our website, and portals on third-party platforms.

In 2021, we also upgraded our consumers delivery standard with a specialized “pioneer riders” team, which has achieved an order-pick-up rate of no less than 99% and a fulfillment-in-time rate of over 96% at the end of 2021.

Last-mile Delivery

Last-mile delivery services are mainly offered to logistics services providers as a supplement to their delivery capabilities, especially during peak hours, peak seasons, night time, or in areas where such logistics services providers lack local delivery capability.

Revenue from our last-mile delivery services increased by 89.3% from RMB1,621.8 million in the year ended December 31, 2020 to RMB3,070.3 million in the year ended December 31, 2021. Such increases were mainly attributable to (i) increased demand, resulting from the increasing orders from e-commerce platforms and the need for logistics services providers to outsource last-mile delivery in order to address the imbalance of orders during peak hours or seasons and to enhance cost efficiency; and (ii) increased supply due to the expansion of our rider pool and our delivery service network, with the number of cities and counties covered by our last-mile delivery services being increased to over 1,900. Not only has last-mile delivery enabled us to further expand our network and achieve network effect and economies of scale, it has also improved riders’ income, strengthened riders’ long-term loyalty, and has reduced our fulfilment cost.

Our Riders

Our riders consist of dedicated riders and crowd-sourced riders. The number of our active riders^(Note) increased from approximately 459,400 in 2020 to over 606,000 in 2021. Such increase in our rider base has enabled us to further expand our existing businesses whilst exploring and undertaking new lines of businesses, including developing a night-time delivery service network to ensure reliable performance of our services during special periods and to address our customers’ special needs. As of 31 December 2021, the number of cities covered by our night-time (24 hours) delivery service network amounted to 693 cities. We have maintained a 95% fulfilment-in-time rate during 2021. Particularly for food delivery scenarios (which time is of the essence), we have achieved an average delivery time of 26 minutes per order in 2021. At the same time, the proportion of medium and long-distance orders over 3 kilometres continues to increase. To better serve evolving customer needs including time-sensitive and spontaneous longer distance intra-city delivery or heavier items delivery, we have also launched and developed a four-wheeler network to cater for new instant on-demand delivery scenarios.

^(Note) “active rider(s)” refers to the number of unique rider(s) who fulfil at least one order during the prescribed period.

Our riders have formed an integrated dispatch network enabling us to adapt to different businesses and customer requirements. Through the use of CLS, we can conduct real-time analysis on order volume and order density and make precise adjustment so that our riders can deliver orders for different service scenarios throughout the day and cope with real-time order volume volatility. Our CLS can smooth out the load for our riders throughout the day, bringing efficient and balanced work arrangements and an increase in income for our riders. We place equal emphasis on our riders' personal development and ability to earn higher incomes, and provide targeted trainings to ensure that riders attain a high degree of mastery and effective application of the knowledge and skills taught. We improve the closed-loop management of rider training, and require riders who fail the assessment to retrain and re-take the tests. In addition, we incorporate training progress indicators into the rider evaluation system to motivate riders to actively participate in training courses. In 2021, a total of 1,652,736 skill tests of various nature (including safety training) were taken by the riders, with a pass rate of 99%.

In 2021, the PRC government has issued various policies with a view to protecting the rights and interest of riders and promoting a sustainable development of platform economies. Such policies include (i) the Guiding Opinions on Safeguarding the Rights and Interests of Workers in New Employment Patterns (關於維護新就業形態勞動者勞動保障權益的指導意見) and (ii) the Guiding Opinions on the Implementation of the Responsibility of Online Catering Platforms to Effectively Safeguard the Rights and Interests of Take-out Food Delivery Workers (關於落實網絡餐飲平台責任切實維護外賣送餐員權益的指導意見). We actively monitor policy changes and have implemented various rider safety and welfare policies to ensure compliance with the recent laws and regulations. For example, we make contribution to the social insurance and housing provident funds for our employee riders, and have required our outsourcing firms to pay social insurance and housing provident funds for riders who have contractual labour relations with them. In addition, we have implemented workplace safety measures such as setting an upper limit of ongoing orders that each rider can take. We are of the view that compliance with such government policies will not have a material adverse effect on our business and operation.

We adhere to the principles of “care and respect” and “safety first” towards our riders. We have hosted over 5,000 rider care activities in 2021 with over 300,000 attendances. Also, we have put in place various workplace safety measures, including the provision of smart helmets, mandatory breaks, maximum working hours and comprehensive safety trainings to our riders. This contributes to an approximately 14% year-on-year improvement to the safety accident rate^(Note), even under the premise of the rapid expansion of our business scale. At the same time, we have taken the lead in launching an industry-first comprehensive rider rights and incentives system, including “SF Intra-city “coins” (同城幣)”, “benefits vouchers (權益兌換券)” and “service points (服務分)” in 2021. This creates a brand-new comprehensive rights experience for our riders. Riders can continuously improve service points through daily check-in, order acceptance, service evaluation, task completion and so on, collect SF Intra-city “coins” and exchange for specific benefits vouchers. The accumulated SF Intra-city “coins” can also be used to offset service points deduction arisen due to certain categories of complaints or minor misconducts (e.g. illegal misconducts cannot benefit from such offset mechanism). We hope that through the establishment of a leading rights and incentives system, the possible psychological pressure and anxiety of riders can be alleviated, so as to ensure reasonable platform rewards to our riders and enhance our social responsibility. We also support our riders via an online automatic quick-response system to provide around-the-clock consultation, and have cooperated with SF Foundation (順豐公益基金會) to launch the “Care for Millions of Riders” (百萬騎手關愛計劃) project, providing education support for riders' children and financial aid to address the medical needs of riders' families.

^(Note) “safety accident rate” refers to the number of personal injury accidents that riders have claimed under “rider comprehensive insurance” as a percentage of total number of orders.

In response to the COVID-19 pandemics, we have continued to enforce the necessary self-quarantine and on-site disinfection measures and provide disinfection and protective equipment such as masks and hand sanitizers for our riders.

Our Technologies

To further optimize our efficiency through technology advance, we have continued to invest in and develop our technologies, including the application of big data and AI technologies in our CLS to achieve higher operational efficiency and lower delivery cost. In particular, our CLS has enabled us to achieve (i) effective business forecast and planning, including the effective deployment of riders according to scenario; (ii) integrated order recommendation and dispatching; and (iii) real-time operation monitoring, which has been made possible due to our digitalized processes.

Powered by our integrated rider scheduling and real-time order dispatching technology, we are able to fulfill orders in multi-scenarios with our diverse rider pool. Our highly efficient real-time order dispatching system supports complex delivery network, which has different layers of geographical coverage, including store level, business district level and city level. With above mentioned three-fold delivery network, we are able to dynamically and flexibly adjust order dispatching, shorten delivery time and lower delivery costs.

In addition to delivery services, we share our technology capabilities and data insights with our merchants. We help our merchants allocate orders among different stores and provide analytical and monitoring tools for merchants to analyze and monitor their online business, order fulfilment progress and real-time rider performance under multiple scenarios. We also offer our merchants recommendations such as tailored order pick-up processes and order preparation time guidance, together with IT support and store operation solutions to enable digital transformation of our merchants.

We aim to further invest in technological resources in growth scenarios such as local e-commerce and local services, to strengthen our platform with technological innovations adapting to new service scenarios, so as to empower merchants and consumers with enhanced technology-driven integrated solution offerings.

Impact of COVID-19

Since December 2019, the COVID-19 pandemic has materially and adversely affected the global economy. Furthermore, the Omicron variant which is highly contagious has become the dominant strain of COVID-19 in 2021.

We have taken prompt measures to mitigate the effect of the pandemic, including arranging for remote working, enforcing the necessary self-quarantine and disinfection measures on-site, and providing disinfection and protective equipment to our employees and riders. We have also established a pandemic quick response team and a pandemic management system, to coordinate our Group's effort in managing the risks posed by the pandemic and to provide prompt support to our business and our people during the pandemic. Despite the impact of COVID-19, we have not experienced any material disruption or suspension of our businesses, nor have we experienced any material shortage in rider capacity. We also believe that our liquidity is sufficient to successfully navigate an extended period of uncertainties resulting from the COVID-19 pandemic.

We believe that the pandemic has brought about changes in consumption habits such as the increasing trend of local online purchase which may lead to growing demand for our on-demand delivery services. However, such shift in consumption patterns associated with the COVID-19 pandemic may be non-recurring and non-sustainable.

Outlook

In 2021, in terms of revenue, we have achieved a significant revenue growth by further expanding our customer base and geographic coverage, and exploring new scenarios. At the same time, in terms of profitability, we successfully achieved turnaround from gross loss to gross profit and recorded a continuous improvement in net loss margin in 2021.

In view of the uncertainties and challenges of the macro economy, we will continue to focus on improving our gross profit margin and narrowing our net loss margin with a view to achieving net profit by (i) controlling our operating costs; (ii) enhancing operating leverage and (iii) introducing more high-yield customers through promotion and innovation at lower cost base and to reduce the number of low-yield customers. We seek to further improve order density and order dispatching technology in order to achieve the smooth coordination of complex and diverse delivery scenarios, to further refine our management of various delivery scenarios and business cycles, with a view to providing stronger tech-empowered service to our customers.

In addition, in terms of revenue growth, we will strive to maintain a high growth above the industry-average level by continuing to (i) explore our delivery service scenarios and expand our geographical coverage and customer base; (ii) capture the evolving and diverse needs of customers to enhance customer loyalty by providing high quality services and technological support services; and (iii) provide comprehensive employee and rider management and support to retain and attract diverse talents.

Through business optimization, improved efficiency through refined operation and deeper market penetration as illustrated above, we will strive to achieve a greater economic of scales and network effect with a view to achieving profitability as soon as possible.

FINANCIAL REVIEW

The following table sets forth the comparative figures for the years ended December 31, 2020 and 2021.

Consolidated Statement of Comprehensive Income

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	8,173,953	4,843,366
Cost of revenue	(8,079,144)	(5,031,872)
Gross profit/(loss)	94,809	(188,506)
Selling and marketing expenses	(270,348)	(111,016)
Research and development expenses	(123,441)	(69,374)
Administrative expenses	(655,132)	(418,017)
Other income	44,847	18,081
Other gains, net	731	441
Net impairment losses of financial assets	(4,477)	(850)
Operating loss	(913,011)	(769,241)
Finance income	18,055	2,978
Finance costs	(7,630)	(17,927)
Finance income/(costs), net	10,425	(14,949)
Loss before income tax	(902,586)	(784,190)
Income tax credit	3,735	26,513
Loss and total comprehensive loss for the year	(898,851)	(757,677)
Loss and total comprehensive attributable to		
– Owners of the Company	(898,851)	(757,677)
Losses per share (expressed in RMB per share)		
– Basic and diluted losses per share (in RMB)	(1.28)	(1.60)

Key Balance Sheet Items

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Total non-current assets	375,555	326,489
Total current assets	3,833,360	1,087,031
Total assets	4,208,915	1,413,520
Total non-current liabilities	20,505	25,714
Total current liabilities	878,967	1,022,342
Total liabilities	899,472	1,048,056
Total equity	3,309,443	365,464
Total equity and liabilities	4,208,915	1,413,520
Net current assets	2,954,393	64,689

Revenue

The following table sets forth our revenue by line of business for the years ended December 31, 2020 and 2021 respectively.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Intra-city on-demand delivery service	8,159,897	4,841,920
Intra-city delivery service	5,089,644	3,220,164
(1) To Merchants (<i>i.e. to B</i>)	3,882,508	2,740,666
(2) To Consumers (<i>i.e. to C</i>)	1,207,136	479,498
Last-mile delivery service	3,070,253	1,621,756
Others	14,056	1,446
Total	8,173,953	4,843,366

Revenue increased significantly by 68.8% to RMB8,174.0 million for the year ended December 31, 2021, compared to RMB4,843.4 million for the year ended December 31, 2020, mainly due to (i) our expansion into new service scenarios; (ii) the expansion of the geographical coverage of our service network; (iii) the expansion of our customer base; and (iv) the increasing prevalence of e-commerce and online consumption.

Cost of Revenue

The following table sets forth our cost of revenue by category for the years ended December 31, 2020 and 2021 respectively.

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Labour outsourcing costs	7,918,221	4,860,237
Employee benefit expenses	32,550	61,262
Cost of material	48,475	34,661
Amortization of intangible assets	43,022	31,142
Depreciation of property, plant and equipment	1,679	1,071
Depreciation of right-of-use assets	2,657	752
Others	32,540	42,747
Total	8,079,144	5,031,872

Cost of revenue increased by 60.6% to RMB8,079.1 million for the year ended December 31, 2021, compared to RMB5,031.9 million for the year ended December 31, 2020, mainly due to the increased order volume that we are able to satisfy due to our growing pool of riders.

Gross Profit and Margin

As a result of the foregoing, our gross profit and margin for the year ended December 31, 2021 was RMB94.8 million and 1.2% respectively, compared to the gross loss and margin of RMB188.5 million and 3.9% respectively for the year ended December 31, 2020. The change from operating at a gross loss to a gross profit is mainly due to a decrease in average fulfilment cost per order, which is driven by: (i) our improving operational efficiency with strong network effects and economies of scale; (ii) optimization of our order structure and improvement in our order mix, partly due to increased order volume for last-mile delivery services; (iii) enhancement of our technology capabilities; and (iv) optimization of our rider management and structure.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 143.5% to RMB270.3 million for the year ended December 31, 2021, compared to RMB111.0 million for the year ended December 31, 2020, mainly due to (i) our efforts in strengthening brand influence; (ii) our increased online and offline promotion and marketing activities; and (iii) the continuous expansion of our regional marketing teams to enlarge our customer base.

Research and Development Expenses

Our research and development expenses increased by 77.9% to RMB123.4 million for the year ended December 31, 2021, compared to RMB69.4 million for the year ended December 31, 2020, mainly due to (i) our continuous investment in R&D teams and talents; (ii) our in-house research and development of the CLS; and (iii) the development of our Fengshi system. We believe the increase in our research and development expenses reflects our continuous effort to address and meet the evolving business scenarios and customer needs.

Administrative Expenses

Our administrative expenses increased by 56.7% to RMB655.1 million for the year ended December 31, 2021, compared to RMB418.0 million for the year ended December 31, 2020, mainly due to (i) the expansion of our management team to suit our business growth, which resulted in increased salaries, wages and bonuses; (ii) the share-based payments to our management team increased to RMB231.4 million in 2021 from RMB152.7 million in 2020; and (iii) increased listing expenses.

Other Income

Our other income increased by 148.0% to RMB44.8 million for the year ended December 31, 2021, compared to RMB18.1 million for the year ended December 31, 2020, mainly due to increased value-added tax deductions and also grants from the local government to reward the contribution of the Group to local economies.

Finance (Costs)/Income, Net

Our finance (costs)/income, net changed from financial costs of RMB14.9 million for the year ended December 31, 2020 to finance income of RMB10.4 million for the year ended December 31, 2021, mainly due to (i) increased finance income attributable to the substantial increase in capital through the Series B financing and our Global Offering in December 2021 and (ii) reduced finance costs as a result of our repayment of borrowings.

Income Tax Credit

Our income tax credit decreased by 85.9% from RMB26.5 million for the year ended December 31, 2020 to RMB3.7 million for the year ended December 31, 2021, mainly due to reduced provision for deferred income tax assets.

Loss for the Year and Net Loss Margin

As a result of the foregoing, we had a loss of RMB898.9 million in the year ended December 31, 2021, compared to a loss of RMB757.7 million in the year ended December 31, 2020, mostly due to increase of share-based compensation expenses and expansion of business scale. Nevertheless, our net loss margin decreased from 15.6% for the year ended December 31, 2020 to 11.0% for the year ended December 31, 2021.

Non-IFRS Measure: Adjusted Net Loss

To supplement our consolidated results which are prepared and presented in accordance with the International Financial Reporting Standards (the “**IFRS**”), we adopted the non-IFRS adjusted net loss as an additional financial measure. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management.

We define adjusted loss for the year as loss for the year adjusted by adding back share-based compensation expenses. Share-based compensation expenses are non-operational expenses arising from granted restricted shares to selected employees, the amount of which may not directly correlate with the underlying performance of our business operations. Thus, these expenses are neither related to our ordinary course of business nor indicative of our ongoing core operating performance. Therefore, we believe that these items should be adjusted for when calculating our adjusted net loss in order to provide investors and management with a complete and fair understanding of our core operating results and financial performance, so that they can assess our underlying core operating results and financial performance undistorted by items unrelated to our ordinary course of business operations, especially in (i) making period-to-period comparisons of, and assessing the profile of, our operating and financial performance; and (ii) making comparisons with other comparable companies with similar business operations.

Nonetheless, our presentation of such non-IFRS measure may not be comparable to similarly titled measures presented by other companies. Furthermore, the use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS.

The following table sets forth reconciliations of our adjusted net loss (non-IFRS measure) for the year (with share-based compensation expenses adjusted) to loss for the year, with its most directly comparable financial measure calculated and presented in accordance with IFRS, for the periods indicated:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of net loss to adjusted net loss		
(non-IFRS measure)		
Net loss for the year	(898,851)	(757,677)
Add:		
Share-based compensation expenses	231,430	152,726
Adjusted net loss (non-IFRS measure) (unaudited)	<u>(667,421)</u>	<u>(604,951)</u>

Liquidity and Financial Resources

Other than the funds raised through our Global Offering in December 2021, we have historically funded our cash requirements principally from capital contribution from shareholders/financing through borrowings from related party. We had cash and cash equivalents of RMB2,538.2 million as of December 31, 2021, compared to the balance of RMB263.5 million as of December 31, 2020. The following table sets forth our cash flows for the years indicated:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before changes in working capital	(609,645)	(571,697)
Changes in working capital	59,455	5,949
Interest received	18,055	2,978
Income tax paid	–	(685)
Net cash used in operating activities	(532,135)	(563,455)
Net cash used in investing activities	(415,078)	(28,417)
Net cash generated from financing activities	3,219,632	784,054
Net increase in cash and cash equivalents	2,272,419	192,182
Cash and cash equivalents at the beginning of the year	263,468	71,286
Effects of exchange rate changes on cash and cash equivalents	2,339	–
Cash and cash equivalents at the end of the year	<u>2,538,226</u>	<u>263,468</u>

Net Cash Used in Operating Activities

Cash used in our operations primarily comprises our profit before income tax adjusted by non-cash items and changes in working capital.

For the year ended December 31, 2021, net cash used in operating activities was RMB532.1 million, which was mainly attributable to our loss before income tax of approximately RMB902.6 million, as adjusted by: (i) non-cash and non-operating items, primarily comprising share-based payments, amortization and depreciation of assets and interest income and expenses of approximately RMB311 million; and (ii) changes in working capital of approximately RMB59.5 million.

Net Cash Used in Investing Activities

For the year ended December 31, 2021, net cash used in investing activities was RMB415.1 million, which was mainly attributable to (i) our purchases of structured deposit products of approximately RMB330.0 million; and (ii) our purchase of intangible assets of approximately RMB73.0 million and fixed assets of approximately RMB17.1 million.

Net Cash Generated from Financing Activities

For the year ended December 31, 2021, net cash generated from financing activities was RMB3,219.6 million, which was mainly attributable to (i) the Series B financing raising approximately RMB1.8 billion; (ii) our Global Offering in December 2021 raising approximately RMB1.7 billion; and (iii) our repayment of borrowings from related party of approximately RMB409 million.

Gearing Ratio

Our gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. As at December 31, 2021, given that the cash and cash equivalents exceed the aggregation of total borrowings and lease liabilities, gearing ratio is no longer calculated.

Financial Assets Measured at Fair Value through Profit or Loss

Our financial assets measured at fair value through profit or loss increased from nil as of December 31, 2020 to RMB330.1 million as of December 31, 2021, mainly due to our purchases of structured deposit products.

Borrowings

As of December 31, 2021, we did not have outstanding borrowing.

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated.

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Intangible assets	1,823	4,818
Property, plant and equipment	—	3,284
Total	1,823	8,102

Capital Expenditure

The following table sets forth a breakdown of our capital expenditures for the periods indicated.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Payment for intangible assets	86,027	67,324
Payment for property, plant and equipment	13,917	9,876
Total	99,944	77,200

Lease Commitments and Arrangements

The table below lists the future minimum lease payments under non-cancellable leases according to their remaining term to maturity.

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
With 1 year	4,165	648
Between 1 to 2 year	39	—
	4,204	648

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the financial year ended December 31, 2021, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Financial Risks

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks, which arise from foreign exchange rates and cash flow and fair value interest rate.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency.

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. As of December 31, 2021, the Group had HKD2,105 million cash in bank which was generated from the Global Offering. If the RMB strengthened/weakened by 1% against the HKD with all other variables held constant, net loss before tax for the year would have been RMB17.2 million higher/lower.

The Group does not hedge against any fluctuation in foreign currencies during the year.

Cash Flow and Fair Value Interest Rate Risk

As of December 31, 2021, we had no significant interest rate risk as we did not hold any long-term interest-bearing debt.

Pledge of Assets

As of December 31, 2021, we did not have any pledge of assets.

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liabilities.

Future Plans for Material Investments and Capital Assets

As of December 31, 2021, we did not have other plans for material investments and capital assets.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group has no disclosable material events after the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2021, we had 2,083 full-time employees.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer competitive remuneration packages for our employees, which generally include salary and bonuses. We also provide benefits, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and other national statutory insurances, housing provident fund schemes to our employees.

Furthermore, we have labour unions that protect employees' rights, help fulfil economic objectives and encourage employee participation in management decisions.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2021.

USE OF PROCEEDS FROM THE LISTING

Our H Shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 14, 2021 (the “**Listing Date**”). The net proceeds from the Global Offering were approximately HKD2,051.5 million after deducting underwriting commissions and offering expenses paid or payable as of December 31, 2021. We intend to use the proceeds from the Global Offering according to the purposes and proportions disclosed in the Prospectus. See the table below for details:

Purpose	Net proceeds from the Listing available (HK\$ million)	Expected timeline for fully utilising unutilised net amount
Research and development and technology infrastructure	718.0	by end of 2023
Expand the Company's service coverage	410.3	by end of 2022
Funding the potential strategic acquisition of and investment in upstream and downstream businesses along the industry value chain	410.3	by end of 2024
Marketing and branding	307.7	by end of 2023
Working capital and general corporate use	205.2	by end of 2022
Total	<u>2,051.5</u>	

Since the Listing Date and as at the date of this announcement, the Group had not utilized any proceeds from the Global Offering. The Group will gradually utilize the the proceeds from the Global Offering in accordance with the intended purposes as mentioned above.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strengthen accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Save as disclosed herein, the Group has complied with the code provisions contained in the CG Code during the period from the Listing Date up to December 31, 2021.

As the Company was only listed on December 14, 2021, the Company did not hold any Board meeting throughout the period from the Listing Date and up to December 31, 2021.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code since the Listing Date and up to December 31, 2021.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period from the Listing Date up to December 31, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Sufficiency of public float

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules, so that the minimum percentage of the Shares from time to time held by the public will be the higher of (a) 24.78% and (b) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option, of the enlarged issued share capital of the Company after the Global Offering. Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the aforementioned minimum public float required by the Stock Exchange since the Listing Date.

Audit Committee and Review of Financial Information

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the CG Code to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Mr. Chan Kok Chung, Johnny, Mr. Li Qiuyu and Mr. Wong Hak Kun with Mr. Wong Hak Kun (being our independent non-executive Director with the appropriate professional qualifications) as chairman of the Audit Committee.

The Audit Committee has reviewed the annual results and the consolidated financial statements of the Group for the year ended December 31, 2021 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and PricewaterhouseCoopers, the auditor of the Company (the “**Auditor**”).

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary results announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

Annual General Meeting

The annual general meeting is scheduled to be held on Monday, June 6, 2022 (the “**AGM**”). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed from Saturday, May 7, 2022 to Monday, June 6, 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Friday, May 6, 2022.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <https://ir.sf-cityrush.com/>. The annual report of the Group for the year ended December 31, 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company’s shareholders by April 28, 2022.

APPRECIATION

The Board would like to express its gratitude to all of our customers, suppliers, riders and partners, and all shareholders for their understanding, support and trust, with which all employees of the Group will continue to work diligently as one in the long run.

By order of the Board
Hangzhou SF Intra-City Industrial Co., Ltd.
Mr. Chan Fei
Chairman and non-executive Director

PRC, March 30, 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Sun Haijin, Mr. Tsang Hoi Lam and Mr. Chen Lin, as executive Directors; Mr. Chan Fei, Mr. Xu Zhijun and Mr. Li Qiuyu, as non-executive Directors; and Mr. Chan Kok Chung, Johnny, Mr. Wong Hak Kun and Mr. Zhou Xiang, as independent non-executive Directors.