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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

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 six months ended June 30, 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period ended June 30, 2021. 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 RMB3,709.0 million for the six months ended June 30, 2021 to approximately RMB4,481.1 million for the six months ended June 30, 2022, representing an increase of 20.8%.
- We have achieved a gross profit of RMB180.2 million and a gross profit margin of 4.0% in the six months ended June 30, 2022, compared with a gross loss of RMB16.6 million and a gross loss margin of 0.4% in the six months ended June 30, 2021.
- Our net loss and net loss margin for the six months ended June 30, 2022 was RMB143.9 million and 3.2%, respectively. Our net loss margin has continued to improve over the years.
- The Board has resolved not to recommend the distribution of an interim dividend for the six months ended June 30, 2022 (the six months ended June 30, 2021: nil).

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	4,481,091	3,709,011
Cost of revenue	4	(4,300,885)	(3,725,633)
Gross profit/(loss)		180,206	(16,622)
Selling and marketing expenses	4	(92,548)	(91,613)
Research and development expenses	4	(36,328)	(52,547)
Administrative expenses	4	(243,771)	(265,189)
Other income		34,790	14,903
Other (losses)/gains, net		(6,378)	5,837
Net impairment losses of financial assets		(1,651)	(2,772)
Operating loss		(165,680)	(408,003)
Finance income		22,954	8,121
Finance costs		(1,214)	(6,706)
Finance income, net		21,740	1,415
Loss before income tax		(143,940)	(406,588)
Income tax expenses	5	—	—
Loss and total comprehensive loss for the period		(143,940)	(406,588)
Loss and total comprehensive loss attributable to			
– Owners of the Company		(143,940)	(406,588)
Losses per share (expressed in RMB per share)			
– Basis and diluted losses per share (in RMB)	6	(0.15)	(0.61)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at June 30, 2022 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		13,979	16,715
Intangible assets		192,832	173,939
Right-of-use assets		35,223	37,811
Financial assets at fair value through other comprehensive income		64,134	3,000
Financial assets at fair value through profit or loss		202,235	—
Deferred income tax assets		144,090	144,090
Other non-current assets		595	—
Total non-current assets		653,088	375,555
Current assets			
Inventories		10,623	4,202
Trade receivables	7	883,626	764,299
Other receivables and prepayments		169,825	196,549
Financial assets at fair value through profit or loss		551,546	330,084
Cash and cash equivalents		1,741,719	2,538,226
Total current assets		3,357,339	3,833,360
Total assets		4,010,427	4,208,915
EQUITY			
Equity attributable to owners of the Company			
Share capital		933,458	933,458
Share premium		4,161,560	4,161,560
Other reserves		831,060	831,060
Accumulated losses		(2,760,575)	(2,616,635)
Total equity		3,165,503	3,309,443

		As at June 30, 2022 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>16,329</u>	<u>20,505</u>
Total non-current liabilities		<u>16,329</u>	<u>20,505</u>
Current liabilities			
Trade payables	8	452,219	488,025
Other payables and accruals		318,891	339,795
Contract liabilities		38,370	34,494
Lease liabilities		<u>19,115</u>	<u>16,653</u>
Total current liabilities		<u>828,595</u>	<u>878,967</u>
Total liabilities		<u>844,924</u>	<u>899,472</u>
Total equity and liabilities		<u><u>4,010,427</u></u>	<u><u>4,208,915</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 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, Chenchuang Building, 198 Zhoushan East Road, Gongshu District, Hangzhou City, Zhejiang Province, PRC and Floor 21-22, Shunfeng Headquarters Building, No. 3076 Xinghai Road, Nanshan District, Shenzhen City, Guangdong Province, PRC.

The Company is an investment holding company. The Group is 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., which is incorporated in the PRC with limited liability. The intermediate holding company of the Company is S.F. Holding Co., Ltd. (“**SF Holding**”), which is incorporated in the 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 listing on the main board of the Stock Exchange of Hong Kong Limited (the “**Listing**”) on December 14, 2021.

The interim financial information comprises the interim condensed consolidated statement of financial position as at June 30, 2022, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “**Interim Financial Information**”).

The Interim Financial Information is presented in Renminbi (“**RMB**”) and rounded to nearest thousand yuan, unless otherwise stated.

1.2 Basis of preparation

The Interim Financial Information has been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. The interim report does not include all the notes of the type normally included in annual financial statements. Accordingly, the Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as set out in the 2021 annual report of the Company dated March 30, 2022 (the “**2021 Financial Statements**”).

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the 2021 Financial Statements, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income for the interim period are accrued using the estimated tax rates that would be applicable to expected total annual assessable profit.

2.1 New and amended standards adopted by the Group

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contract – Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	Annual Improvements to IFRSs 2018-2020

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.

2.2 New standards and amendments to standards not yet adopted by the Group

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for periods commencing on or after January 1, 2022 and have not been early adopted by the Group. These standards or amendments 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 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	To be determined
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

3 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 six months ended June 30, 2022.

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

(a) Description of segments and principal activities

	Six months ended June 30, 2022 (Unaudited)			
	Intra-city on-demand delivery service business RMB'000	Other business RMB'000	Unallocated RMB'000	Total RMB'000
Revenue	4,463,963	17,128	–	4,481,091
Cost of revenue	(4,283,351)	(17,534)	–	(4,300,885)
Gross profit/(loss)	180,612	(406)	–	180,206
Selling and marketing expenses	(71,180)	(10,711)	(10,657)	(92,548)
Research and development expenses	(34,532)	(1,796)	–	(36,328)
Administrative expenses	(218,264)	(16,744)	(8,763)	(243,771)
Other income	25,522	100	9,168	34,790
Other losses, net	(62)	(115)	(6,201)	(6,378)
Net impairment losses of financial assets	(1,622)	(29)	–	(1,651)
Segment loss	(119,526)	(29,701)	(16,453)	(165,680)
Finance income				22,954
Finance cost				(1,214)
Finance income – net				21,740
Loss before income tax				(143,940)
Other segment information				
Amortization of intangible assets	25,263	8,953	–	34,216
Depreciation of right-of-use assets	8,959	730	–	9,689
Depreciation of property, plant, and equipment	4,198	410	–	4,608
Additions of non-current assets except for financial instruments and deferred income tax assets	33,532	30,405	269	64,206

Six months ended June 30, 2021 (Unaudited)

	Intra-city on-demand delivery service business RMB '000	Other business RMB '000	Unallocated RMB '000	Total RMB '000
Revenue	3,704,222	4,789	–	3,709,011
Cost of revenue	(3,711,073)	(14,560)	–	(3,725,633)
Gross loss	<u>(6,851)</u>	<u>(9,771)</u>	<u>–</u>	<u>(16,622)</u>
Selling and marketing expenses	(58,006)	(32,781)	(826)	(91,613)
Research and development expenses	(31,970)	(20,577)	–	(52,547)
Administrative expenses	(162,550)	(19,132)	(83,507)	(265,189)
Other income	13,451	16	1,436	14,903
Other (losses)/gains, net	(533)	4	6,366	5,837
Net impairment losses of financial assets	(2,720)	(52)	–	(2,772)
Segment loss	<u>(249,179)</u>	<u>(82,293)</u>	<u>(76,531)</u>	<u>(408,003)</u>
Finance income				8,121
Finance cost				<u>(6,706)</u>
Finance income – net				<u>1,415</u>
Loss before income tax				<u><u>(406,588)</u></u>
Other segment information				
Amortization of intangible assets	16,523	3,877	–	20,400
Depreciation of right-of-use assets	7,139	786	–	7,925
Depreciation of property, plant, and equipment	2,659	199	–	2,858
Additions of non-current assets except for financial instruments and deferred income tax assets	<u>44,670</u>	<u>9,856</u>	<u>–</u>	<u>54,526</u>

	Intra-city on-demand delivery service business <i>RMB'000</i>	Other business <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)				
As at June 30, 2022				
Assets				
Segment assets	<u>1,264,552</u>	<u>133,221</u>	<u>2,468,564</u>	<u>3,866,337</u>
Deferred income tax assets				<u>144,090</u>
Total Assets				<u>4,010,427</u>
Liabilities				
Segment liabilities	<u>788,360</u>	<u>52,404</u>	<u>4,160</u>	<u>844,924</u>
Total Liabilities				<u>844,924</u>
(Audited)				
As at December 31, 2021				
Assets				
Segment assets	<u>1,099,402</u>	<u>121,955</u>	<u>2,843,468</u>	<u>4,064,825</u>
Deferred income tax assets				<u>144,090</u>
Total Assets				<u>4,208,915</u>
Liabilities				
Segment liabilities	<u>777,827</u>	<u>55,529</u>	<u>66,116</u>	<u>899,472</u>
Total Liabilities				<u>899,472</u>

(b) Revenue by business line and nature

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At a point in time		
– Intra-city on-demand delivery service	4,463,963	3,704,222
– Others	17,128	4,789
Revenue from contracts with customers	4,481,091	3,709,011

(c) Unsatisfied performance obligations

For Intra-city on-demand delivery service and other services, they are rendered normally in a single day and there is no unsatisfied performance obligation at the end of financial periods.

(d) Geographical information

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

(e) Information about major customers

The Group's revenue derived from major customer, which individually contributed 10% or more of the Group's total revenue was as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Subsidiaries of SF Holding	1,542,768	1,415,781

4 EXPENSES BY NATURE

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Labour outsourcing costs	4,247,540	3,711,126
Employee benefit expenses	251,464	265,370
Amortization of intangible assets	34,216	20,400
Costs of materials	28,788	23,120
Information service expenses	26,973	19,846
Office and rental expenses	15,106	11,703
Marketing and promotion expenses	14,203	30,172
Call center service expenses	12,199	8,093
Depreciation of right-of-use assets	9,689	7,925
Professional service expenses	8,321	6,685
Depreciation of property, plant and equipment	4,608	2,858
Travelling expenses	3,965	3,837
Other taxes and surcharges	1,368	3,411
Insurance expenses	387	218
Listing expenses	–	8,977
Others	14,705	11,241
	4,673,532	4,134,982

5 INCOME TAX EXPENSES

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

(a) 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 six months ended June 30, 2022 and 2021.

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 six months ended June 30, 2022.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the six months ended June 30, 2022.

(c) Income tax credits are recognised based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

6 LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss for the periods attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the six months ended June 30, 2022 and 2021.

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Loss attributable to equity owners of the Company (RMB'000)	(143,940)	(406,588)
Weighted average number of shares in issue	933,457,707	663,876,620
Basic losses per share (in RMB)	<u>(0.15)</u>	<u>(0.61)</u>

(b) Diluted losses per share

For the six months ended June 30, 2022, the Company had no category of dilutive potential ordinary shares, thus, diluted losses per share was no longer calculated.

For the six months ended June 30, 2021, 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 six months ended June 30, 2021. 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 six months ended June 30, 2021, was the same as the basic losses per share for the period.

7 TRADE RECEIVABLES

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Trade receivables		
– third parties	465,625	397,727
– related parties	420,736	369,167
	<u>886,361</u>	<u>766,894</u>
Impairment loss allowance	(2,735)	(2,595)
	<u>883,626</u>	<u>764,299</u>

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

	As at June 30, 2022 RMB'000 (Unaudited)	As at December 31, 2021 RMB'000 (Audited)
Within 30 days	788,318	588,513
30 to 180 days	98,043	178,381
	<u>886,361</u>	<u>766,894</u>

(b) Movements on the Group's impairment loss allowance of trade receivables are as follows:

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	(2,595)	(1,997)
Provision of impairment allowance	(1,707)	(2,698)
Written off as uncollectible	1,567	1,944
At the end of the period	<u>(2,735)</u>	<u>(2,751)</u>

(c) The Group's trade receivables were denominated in RMB.

8 TRADE PAYABLES

	As at June 30, 2022 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 <i>RMB'000</i> (Audited)
Trade payables to third parties	430,505	469,128
Trade payables to related parties	21,714	18,897
	<u>452,219</u>	<u>488,025</u>

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

	As at June 30, 2022 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 <i>RMB'000</i> (Audited)
Within 3 months	446,114	480,707
3 months to 1 year	6,105	7,318
	<u>452,219</u>	<u>488,025</u>

9 DIVIDENDS

No dividend has been paid or declared by the Group during the periods ended June 30, 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are the largest third-party on-demand delivery service platform in China^(Note 1), providing customers with high-quality, high-efficiency and multi-scenario third-party on-demand delivery services. We serve customer needs across various industries and product categories by (i) providing intra-city delivery service for merchants and consumers; and (ii) providing last-mile delivery service mainly for logistics companies. In the first half of 2022, despite the challenges from the macro environment and the impacts of the pandemic, we continued to develop new delivery scenarios and expand our business. In particular, intra-city delivery to consumers, non-food delivery scenarios^(Note 2), and continued expansion in lower-tier cities^(Note 3) became the main drivers for our business, while our diversified revenue structure strengthened our resilience. We maintained steady growth in our revenue, and our core business indicators continued to improve. Our revenue increased by 20.8% from RMB3,709.0 million for the six months ended June 30, 2021 to RMB4,481.1 million for the same period in 2022. Revenue from our intra-city delivery service increased from RMB2,267.3 million for the six months ended June 30, 2021 to RMB2,929.2 million for the six months ended June 30, 2022. Revenue from our last-mile delivery service increased from RMB1,436.9 million for the six months ended June 30, 2021 to RMB1,534.8 million for the six months ended June 30, 2022. The following table sets forth our revenue breakdown:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Intra-city on-demand delivery service	4,463,963	3,704,222
Intra-city delivery service	2,929,176	2,267,309
(1) To Merchants (<i>i.e. to B</i>)	2,156,370	1,752,318
(2) To Consumers (<i>i.e. to C</i>)	772,806	514,991
Last-mile delivery service	1,534,787	1,436,913
Others	17,128	4,789
Total	<u>4,481,091</u>	<u>3,709,011</u>

^(Note 1) 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.

^(Note 2) “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 3) “lower-tier cities” refers to cities, counties and towns that are in the third tier or below.

Furthermore, our gross profit/loss further improved in the first half of 2022, achieving a gross profit of RMB180.2 million, as compared to a gross loss of RMB16.6 million for the six months ended June 30, 2021. Our gross profit/loss margin also improved, with a gross profit margin of 4.0% for the six months ended June 30, 2022, as compared to a gross loss margin of 0.4% for the six months ended June 30, 2021. Our net loss and net loss margin for the six months ended June 30, 2022 was RMB143.9 million and 3.2%, respectively. Our net loss margin has continued to improve over the years. These were attributable to the enhanced economies of scale and network effect, differentiated services driving high-value orders, technology integration and scheduling to achieve optimal efficiency of our delivery network, and continuously refined management and operation to improve resource utilization efficiency and productivity.

Intra-city Delivery

Revenue from our intra-city delivery service increased from RMB2,267.3 million for the six months ended June 30, 2021 to RMB2,929.2 million for the six months ended June 30, 2022. The steady growth in revenue was mainly attributable to: (i) the continuing increase in demand driven by enriched intra-city on-demand delivery and service scenarios and the increase in order volume driven by the expanding active merchant^(Note 4) base and active consumer^(Note 5) base, which have enabled us to maintain a reliable, comprehensive and high-quality service matrix; (ii) the acceleration of changes in the habits of consumers to “bring all you need to your side” driven by the pandemic and the new consumption era, which in turn generated more on-demand delivery needs; (iii) the strong performance of non-food delivery scenarios, achieving a revenue of RMB1,051.2 million, and a year-on-year increase of 32.4%, for the six months ended June 30, 2022; and (iv) further expansion of the geographical coverage in lower-tier cities and continuous enrichment of service matrix, driving the development in on-demand delivery services infrastructure in lower-tier cities, with a year-on-year revenue growth in lower-tier cities of 41.0% to RMB1,035.4 million for the six months ended June 30, 2022.

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, which meet not only the customized delivery needs of key account customers, but also the demands of SME customers for value-for-money options. In the past 12 months ended June 30, 2022, our annual active merchants reached 299,000, representing a year-on-year growth of 31.2%, and we served over 2,900 brand customers cumulatively. Due to our high-quality, stable and customer-centric services, customer loyalty and retention rate have improved, as the retention rate for our Top 100 key account customers for the six months ended June 30, 2022 increased to approximately 90%. For the six months ended June 30, 2022, revenue from intra-city delivery to merchants was RMB 2,156.4 million, representing a year-on-year growth of 23.1%.

In the first half of 2022, the normalization of the pandemic further accelerated the development of online consumption habits and facilitated the creation of new intra-city on-demand service scenarios. Our multi-scenario service model and differentiated network capabilities are well-positioned to meet the diversified on-demand service needs of merchants from the non-food industry. For the six months ended June 30, 2022, the demand for high value-added service scenarios such as local e-commerce and local services remained high, with a year-on-year growth in revenue of 104.3% and 47.8% respectively.

^(Note 4) “active merchant(s)” refers to the number of unique merchant accounts that purchase a particular service at least once during the prescribed period.

^(Note 5) “active consumer(s)” refers to the number of unique consumer accounts that purchase a particular service at least once during the prescribed period.

We have continued to increase our coverage across product categories including supermarkets, flowers, cakes and desserts, fresh produce, seafood, pharmaceutical products, apparel and cosmetics, and 3C electronics as we have enhanced our delivery solutions for various industries, namely through: (i) retail industry solutions such as delivery within an hour (小時達), delivery within half a day (半日達), cold chain terminal delivery (冷鏈末端配送) and delivery from department stores to home (百貨到家配送); (ii) pharmaceutical industry solutions such as end-to-end delivery of Direct-to-Patient (DTP) high-value drugs (DTP 高價值藥品端到端配送) and delivery of decocted traditional Chinese medicine (中藥代煎接駁送); (iii) 3C industry solutions such as expedited delivery for newly launched products (新品首發極速達), “Online order, instant delivery to customers” (線上下單門店到C) and on-demand inter-store allocation of inventory (實時門店間庫存調撥), while launching online repair and return services with various mobile phone brands and second-hand platforms. In the first half of 2022, revenue generated from delivery services provided to the supermarkets, retail, pharmaceutical and 3C industries achieved a year-on-year growth of 71.3%.

We consolidated differentiated network capabilities and product delivery capabilities to meet the respective needs of non-standard delivery scenarios and long-tail services such as long-distance, heavy objects and multi-point deliveries. For instance, (i) we have optimized our capacities in terminal cold-chain and temperature-controlled delivery services in order to satisfy special delivery needs of merchants for medicine, alcohol, cold drinks and ice products, etc.; (ii) with respect to the on-demand mid-to-long-distance and the delivery of bulk items, we have built up our “Two wheels + Four wheels”^(Note 6) delivery capacity and our delivery products such as delivery within half a day and delivery from a single point to the whole city (一點發全城) in order to better meet the needs of supermarkets, fresh produce platforms, professional markets, and high-end equipment customers; and (iii) we have expanded the scope of on-demand delivery in cooperation with SF Holding Group and launched inter-city on-demand delivery services to improve delivery timeliness for cities within the same economic zone.

As an important part of the infrastructure for on-demand delivery services, we seize the opportunities of multi-channel traffic and actively promote the construction of ecosystems for major local lifestyle service platforms. In the first half of 2022, we vigorously developed our e-commerce live streaming business, actively participated in the formulation of on-demand delivery standards for e-commerce live streaming platforms, and promoted the co-construction of intra-city fine goods delivery within an hour (同城好物小時達) on live streaming platforms. At present, our comprehensive on-demand delivery solutions for e-commerce live streaming are serving merchants on several leading live streaming platforms.

We also strategically cooperate with SF Holding Group’s ecosystem participants to create integrated solutions for customers, namely “front-end warehousing + mid-end trunk + intra-city on-demand delivery”. Through resource synergy and capacity integration, these solutions broaden customer reach and increase customer loyalty for both parties. For the six months ended June 30, 2022, our service to Credit Customers^(Note 7) with SF Holding Group has led to a contribution of RMB86.7 million in our revenue, representing a year-on-year growth of 115.5%, which was mainly due to the combined effect of (i) changes in consumption habits resulting from the pandemic; (ii) our improved service capabilities which enabled us to deepen our cooperation with SF Holding Group to meet more customer needs; and (iii) the escalation of the COVID-19 pandemic and efforts to combat its spread resulting in new on-demand delivery needs.

^(Note 6) “Two wheels + Four wheels” refers to intra-city delivery achieved through combined efforts of “four wheel” vehicles and our riders on their “two wheel” motorcycles.

^(Note 7) “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.

During the pandemic, working alongside SF Holding Group, we cooperated with certain local governments and suppliers to sort and deliver daily necessities in the areas affected by pandemic, supporting the livelihood of residents. We also assist local governments in collecting nucleic acid testing specimen from various nucleic acid sampling points in communities, and in transporting and delivering the specimen for lab testing, thereby achieving batch delivery of specimen from multiple locations in a swift and timely manner.

Intra-city Delivery to Consumers

In the past 12 months ended June 30, 2022, our annual active consumer base continued to expand and reached 12.3 million, representing a year-on-year growth of 55.0%. The expansion in consumer base was mainly due to: (i) the increasing penetration of intra-city on-demand delivery service driven by increasing demand for timeliness and convenience by consumers in daily life and business scenarios; (ii) our consumers' recognition of and trust in our brand; and (iii) easy access to our services through various channels, continuously improving the reach, conversion and activation of individual users. For the six months ended June 30, 2022, the revenue from intra-city delivery consumers was RMB772.8 million, representing a year-on-year growth of 50.1%.

For individual consumers, we focus on creating industry-leading and professional on-demand delivery services. Leveraging differentiated network capabilities, we gradually extend our on-demand delivery services to provide diversified and high-quality on-demand services. Our "Deliver for Me, Fetch for Me, Purchase for Me, Solve for Me" services cover personal life and work scenarios such as daily errands, medical and healthcare, and business agency services. Consumers can select value-added services such as Shipment Protection Plus (保價), dedicated delivery, and delivery of documents for execution (會簽) when placing orders. During the pandemic, we provided various kinds of purchasing services and delivery solutions required in our consumers' daily lives, such as delivering medical supplies, providing delivery support to facilitate remote working in pandemic-affected areas, and ultimately doubling our revenue from the running errands business that covers "fetching, delivering, purchasing, solving and more" (取送買辦+) services. In addition, we have integrated providers of local lifestyle services such as laundry, moving house, accompany to medical appointments and mobile phone recycling into the SF City Rush Wechat Mini Program (順豐同城急送小程序), providing one-stop butler-like services under the SF Intra-city brand.

In the first half of 2022, we continued to optimize the quality of products and services for individual consumers. We hope to enable consumers to have better delivery experience through providing high-standard services, and standardized collection and delivery process. Meanwhile, considering that the majority of orders from consumers are mid-to-long-distance deliveries and non-standard service needs, we have built a team of "pioneer riders" exclusively for individual consumers to achieve better performance in order-pick-up rate^(Note 8), completion rate^(Note 9) and fulfillment-in-time rate^(Note 10). Even during peak times such as holidays, our fulfillment-in-time rate fluctuated by no more than 3.0%.

^(Note 8) "order-pick-up rate" refers to a ratio calculated by the number of orders picked up by riders as a percentage of total orders.

^(Note 9) "completion rate" refers to a ratio calculated by the number of orders fulfilled as a percentage of total orders.

^(Note 10) "fulfillment in-time rate" refers to a ratio calculated by the number of orders that are delivered to the right recipients in time over the total number of orders placed.

Last-mile Delivery

Our last-mile delivery service acts as an on-demand and flexible supplement to the delivery capabilities in all aspects of logistics service providers. We aim to address the mismatch between volume and delivery capacity and improve cost efficiency for logistics service providers while supporting the acceleration of all aspects of logistics and personalized customized services.

Revenue from our last-mile delivery service increased by 6.8% from RMB1,436.9 million for the six months ended June 30, 2021 to RMB1,534.8 million for the six months ended June 30, 2022. The disruption of express delivery in certain cities and/or areas due to the pandemic lockdown measures has put the last-mile business under pressure and caused a short-term slowdown in growth. However, we also saw the rapid recovery of business after improvement in the pandemic situation, accompanied by the deepening of cooperation scenarios with key customers and product innovation. Not only has last-mile delivery service 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 reduced our fulfilment cost.

Our Riders

Riders are our closest business partners. We are pleased to see that the number of active riders^(Note 11) on our platform continues to grow. The growing rider base has enabled us to further expand our existing businesses whilst exploring and undertaking new lines of businesses to strengthen economies of scale. At the same time, the expansion of business scale can generate higher income for riders and encourage more riders to choose to join our platform. Through providing riders with professional training and comprehensive support, we hope that riders can endorse our platform and become inspired to devote themselves to their work, and embrace positive values, thus helping them to become professional service providers.

We care about the realization of riders' personal values. Since 2022, we have adopted the core cultural concept of "Dream with Heart, Deliver with Integrity" (心有所夢，以誠築城) for riders, working across multiple dimensions including income, safety, growth and satisfaction, so that riders can feel the value, passion and warmth on our platform, and devote themselves to serve with full enthusiasm.

(Note 11) "active rider(s)" refers to the number of unique rider(s) who fulfil at least one order during the prescribed period.

We are dedicated to the constant enhancement of riders' rights and protection, and the continual improvement of our services. We continue to protect riders' rights and enrich the incentives system. For example, we have created a series of "new joiners' benefits vouchers (新人權益券)" on top of the existing active benefits, so that new riders can get through the transitional period more smoothly, reducing the negative impacts of special circumstances on riders. We have also launched the "Riders' Honor Implementation Plan (騎手榮譽實施方案)", and established three honorary titles of "Service Ambassador (服務大使)", "Justice Ambassador (正義大使)" and "Special Contribution (特殊貢獻)", enabling our riders to feel honoured and respected, and encouraging more riders to contribute to the civic society together. Additionally, we have launched the "Riders' Home (騎手之家)" platform to encourage online sharing and communication within the community. We also help riders contact local delivery outlet station managers more conveniently and solve problems through the online "direct channel to local delivery outlet station managers (站長直通車)".

We also care deeply about the safety and health of riders amid local outbreaks of the pandemic. We have launched the "tackling urgent and special needs" (應急特需) portal on SF Intra-city Rider App (順豐同城騎手APP) to help riders solve special and urgent matters. In cities and regions where the COVID-19 pandemic was severe, we provided anti-pandemic supplies and subsidies for the riders. We have launched assistance policies programs such as "caring subsidy" (關愛金) to help them tide over difficulties.

Our rider pool is integrated through a comprehensive national scheduling network. The whole-city delivery capacity coordination and scheduling enables us to adapt to different business and customer needs and maintain stable performance quality. During the Reporting Period, the proportion of mid-to-long-distance (over 3km) orders increased, while the average delivery time and fulfillment-in-time rate remained at a high level, and our performance quality only fluctuated slightly during the peak times of festivals and holidays. The number of cities that commenced night-time (24 hours) delivery services increased to 777.

Our Technologies

Technology is the core of our business and is the key to efficiency enhancement and cost improvement. Our City Logistics System ("CLS") has three core functions, namely business forecast and planning, integrated order recommendation and dispatching and real-time operation monitoring, which enable us to optimize the scheduling of riders in different industries and scenarios across complex delivery networks. Our highly efficient real-time order dispatching system supports the complex delivery network, which has different layers of geographical coverage, including store level, business district level and city level. With the aforementioned threefold delivery network, we are able to dynamically and flexibly adjust order dispatching, shorten delivery time and lower delivery costs.

For merchants, as an independent and open platform, we have continued to strengthen our ability to connect their order sources from different channels, platforms and private domains and to perform intelligent distribution and planning, becoming the top service provider preferred by merchants under the norm of multi-channel traffic in future.

For riders, we systematically schedule riders in groups and prioritize orders according to their relevant business categories for different groups of riders, in order to ensure the stability and quality of order fulfillment and improving rider loyalty.

During the pandemic, we continued to optimize the online experience for our users. We have built a dispatching model that is more user-friendly and efficient to riders, providing more flexibility based on riders' delivery habits. In face of the changes during the pandemic, we have optimized functions such as making scheduling adjustments in restricted areas, sending health reminders and monitoring riders' health, and making online announcements on delivery policies to ensure the safety of our riders and users.

In order to further improve the terminal delivery capability and deploy the smart delivery network, we successfully launched our on-demand drone delivery service, providing a new service experience for intra-city on-demand delivery of goods.

Impact of COVID-19 on our business

The sporadic outbreak of COVID-19 in certain cities and areas of China and the related measures to prevent and combat the spread of the pandemic have affected our business in a number of ways. On the one hand, the number of intra-city delivery orders we receive has been affected by the pandemic, in particular in cities and regions which have experienced lock-downs or restrictions on movement. The improvement of the pandemic situation following the implementation of prevention and control measure has also led to a quick rebound in our order volume. On the other hand, the pandemic has accelerated the changes in consumer habits to “bring all you need to your side”, which we believe will further increase market demand for intra-city on demand delivery services in the mid-to-long term. Furthermore, the pandemic has also created new delivery service scenarios for us, including our cooperation with the SF Holding Group in delivering nucleic acid specimen for certain government and enterprise customers.

Outlook

In the first half of 2022, in the face of the complex external environment and the challenges of the pandemic, we emphasized the long-term sustainable, high-quality and healthy development of our business, and successfully achieved further profit improvement while maintaining steady growth of our core business. Business development in some regions was affected to some extent by delivery constraints imposed by the pandemic. However, thanks to our riders and staff, who remained their posts and actively participated in the anti-pandemic and supply delivery work with other stakeholders, as well as through helping merchants and consumers solve the “last-mile” difficulties, we have become more committed to the long-term value of local services and on-demand services. Looking ahead, we will continue to broaden our range of service scenarios and industry solutions, optimize our business structure, and enhance our value by creating differentiated service capabilities, so as to ensure high-quality and stable consumer experience and empower merchants' business operations.

Our delivery services go beyond the delivery of products and services. As part of the intra-city delivery infrastructure, we hope to bring more extensive value creation to the customers and the society. Based on the trend of “bring all you need to your side”, the demands and scenarios of intra-city on-demand delivery services are increasingly diversified. We have also been striving to expand our service boundaries, hoping to serve as an open platform for local lifestyle service that connects all parties to create a new business model consisting of local service together, with a view to achieving the mission of “bring enjoyable lifestyle to your fingertips”.

FINANCIAL REVIEW

The following table sets forth the comparative figures for the six months ended June 30, 2021 and 2022.

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended June 30	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	4,481,091	3,709,011
Cost of revenue	(4,300,885)	(3,725,633)
Gross profit/(loss)	180,206	(16,622)
Selling and marketing expenses	(92,548)	(91,613)
Research and development expenses	(36,328)	(52,547)
Administrative expenses	(243,771)	(265,189)
Other income	34,790	14,903
Other (losses)/gains, net	(6,378)	5,837
Net impairment losses of financial assets	(1,651)	(2,772)
Operating loss	(165,680)	(408,003)
Finance income	22,954	8,121
Finance costs	(1,214)	(6,706)
Finance income, net	21,740	1,415
Loss before income tax	(143,940)	(406,588)
Income tax expenses	—	—
Loss and total comprehensive loss for the period	(143,940)	(406,588)
Loss and total comprehensive loss attributable to		
– Owners of the Company	(143,940)	(406,588)
Losses per share (expressed in RMB per share)		
– Basis and diluted losses per share (in RMB)	(0.15)	(0.61)

Key Balance Sheet Items

	As of June 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Total non-current assets	653,088	375,555
Total current assets	3,357,339	3,833,360
Total assets	4,010,427	4,208,915
Total non-current liabilities	16,329	20,505
Total current liabilities	828,595	878,967
Total liabilities	844,924	899,472
Total equity	3,165,503	3,309,443
Total equity and liabilities	4,010,427	4,208,915
Net current assets	2,528,744	2,954,393

Revenue

The following table sets forth our revenue by line of business for the six months ended June 30, 2021 and 2022 respectively.

	Six months ended June 30, 2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Intra-city on-demand delivery service	4,463,963	3,704,222
Intra-city delivery service	2,929,176	2,267,309
(1) To Merchants (<i>i.e. to B</i>)	2,156,370	1,752,318
(2) To Consumers (<i>i.e. to C</i>)	772,806	514,991
Last-mile delivery service	1,534,787	1,436,913
Others	17,128	4,789
Total	4,481,091	3,709,011

Revenue increased significantly by 20.8% to RMB4,481.1 million for the six months ended June 30, 2022, compared to RMB3,709.0 million for the six months ended June 30, 2021, mainly due to (i) our continuously enriched service scenarios and solutions; (ii) sustained increase in the numbers of active merchants and active consumers, leading to an increase in order volume; and (iii) our steady expansion in lower-tier cities.

Cost of Revenue

The following table sets forth our cost of revenue by category for the six months ended June 30, 2021 and 2022 respectively.

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Labour outsourcing costs	4,198,708	3,651,738
Amortization of intangible assets	30,707	18,097
Cost of material	28,038	22,148
Employee benefit expenses	18,153	18,265
Depreciation of right-of-use assets	2,586	1,401
Depreciation of property, plant and equipment	1,026	954
Others	21,667	13,030
Total	<u>4,300,885</u>	<u>3,725,633</u>

Cost of revenue increased by 15.4% to RMB4,300.9 million for the six months ended June 30, 2022, compared to RMB3,725.6 million for the six months ended June 30, 2021, mainly due to the expansion of our rider pool as a result of our business expansion and increase in order volume.

Gross Profit and Margin

As a result of the foregoing, our gross profit and margin for the six months ended June 30, 2022 was RMB180.2 million and 4.0% respectively, compared to the gross loss and margin of RMB16.6 million and 0.4% respectively for the six months ended June 30, 2021. The change from operating at a gross loss to a gross profit is mainly due to (i) increased operational efficiency through strong network effects and economies of scale; (ii) increased delivery efficiency through ongoing use of CLS; and (iii) improved resource efficacy and input-output ratio through continuously refined management and operation.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 1.0% to RMB92.5 million for the six months ended June 30, 2022, compared to RMB91.6 million for the six months ended June 30, 2021, mainly due to extended use of information technology platform and customer call service fees as a result of business growth.

Research and Development Expenses

Our research and development expenses decreased by 30.9% to RMB36.3 million for the six months ended June 30, 2022, compared to RMB52.5 million for the six months ended June 30, 2021, mainly due to increase in capitalised development costs.

Administrative Expenses

Our administrative expenses decreased by 8.1% to RMB243.8 million for the six months ended June 30, 2022, compared to RMB265.2 million for the six months ended June 30, 2021, mainly due to decreased share-based payments and decreased listing expenses partially offset by increase in salaries, bonuses and outsourcing expenses arising from enlarged management team and increased outsourced personnel to accommodate business growth.

Other Income

Our other income increased significantly by 133.4% to RMB34.8 million for the six months ended June 30, 2022, compared to RMB14.9 million for the six months ended June 30, 2021, mainly due to increased value-added tax deductions and grants from the local government.

Finance Income, Net

Our finance income, net changed from RMB1.4 million for the six months ended June 30, 2021 to RMB21.7 million for the six months ended June 30, 2022, 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 because we have no borrowings during the Reporting Period.

Loss for the Period and Net Loss Margin

As a result of the foregoing, we had a loss of RMB143.9 million in the six months ended June 30, 2022, compared to a loss of RMB406.6 million in the six months ended June 30, 2021, primarily due to (i) increased gross profits arising from continued increase in operational efficiency, delivery efficiency and refined management; and (ii) decreased share-based payments. Our net loss margin decreased from 11.0% for the six months ended June 30, 2021 to 3.2% for the six months ended June 30, 2022.

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 period as loss for the period 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 periods (with share-based compensation expenses adjusted) to loss for the periods, with its most directly comparable financial measure calculated and presented in accordance with IFRS, for the periods indicated:

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Reconciliation of net loss to adjusted net loss		
(non-IFRS measure)		
Net loss for the period	(143,940)	(406,588)
Add:		
Share-based compensation expenses	<u>—</u>	<u>67,799</u>
Adjusted net loss (non-IFRS measure)	<u>(143,940)</u>	<u>(338,789)</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 parties. We had cash and cash equivalents of RMB1,741.7 million as of June 30, 2022, compared to the balance of RMB921.6 million as of June 30, 2021. The following table sets forth our cash flows for the six months indicated:

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Operating cash flows before changes in working capital	(121,440)	(375,473)
Changes in working capital	(152,802)	(73,075)
Interest received	22,954	8,121
Net cash used in operating activities	(251,288)	(440,427)
Net cash used in investing activities	(535,511)	(432,838)
Net cash (used in)/generated from financing activities	(10,029)	1,531,351
Net (decrease)/increase in cash and cash equivalents	(796,828)	658,086
Cash and cash equivalents at the beginning of the period	2,538,226	263,468
Effects of exchange rate changes on cash and cash equivalents	321	—
Cash and cash equivalents at the end of the period	<u>1,741,719</u>	<u>921,554</u>

Net Cash Used in Operating Activities

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

For the six months ended June 30, 2022, net cash used in operating activities was RMB251.3 million, which was mainly attributable to our loss before income tax of approximately RMB143.9 million, as adjusted by: (i) non-cash and non-operating items, primarily comprising amortization and depreciation of assets and gains on financial assets at fair value through profit or loss of approximately RMB45.5 million; and (ii) changes in working capital of approximately RMB152.8 million.

Net Cash Used in Investing Activities

For the six months ended June 30, 2022, net cash used in investing activities was RMB535.5 million, which was mainly attributable to (i) our investment in financial assets; (ii) our addition of intangible assets; and (iii) our purchases of fixed assets.

Net Cash Used in Financing Activities

For the six months ended June 30, 2022, net cash used in financing activities was RMB10.0 million, which was mainly attributable to payments of lease liabilities.

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 June 30, 2022, 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 RMB330.1 million as of December 31, 2021 to RMB753.8 million as of June 30, 2022, mainly due to our purchases of structured deposit products and investment in other financial assets.

Borrowings

As of June 30, 2022, we did not have any outstanding borrowings.

Capital Commitments

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

	As at June 30, 2022 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 <i>RMB'000</i> (Audited)
Intangible assets	<u>–</u>	<u>1,823</u>

Capital Expenditure

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

	Six months ended June 30, 2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Intangible assets	53,109	35,762
Property, plant and equipment	<u>3,117</u>	<u>6,497</u>
Total	<u>56,226</u>	<u>42,259</u>

Lease Commitments and Arrangements

Leases not yet commenced to which the Group is committed are as follows:

	As at June 30, 2022 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 <i>RMB'000</i> (Audited)
With 1 year	5,703	4,165
Between 1 to 2 year	5,678	39
Between 2 to 3 year	6,365	—
	<hr/> 17,746 <hr/>	<hr/> 4,204 <hr/>

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

As of June 30, 2022, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Pledge of Assets

As of June 30, 2022, we did not have any pledge of assets.

Contingent Liabilities

As of June 30, 2022, we did not have any material contingent liabilities.

Future Plans for Material Investments and Capital Assets

As of June 30, 2022, 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 June 30, 2022, we had 2,127 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.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2022.

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 June 30, 2022. 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)	Utilized net proceeds up to June 30, 2022 (HK\$ million)	Unused net proceeds up to June 30, 2022 (HK\$ million)	Expected timeline for fully utilizing unutilized net proceeds
Research and development and technology infrastructure	718.0	121.2	596.8	by the end of 2023
Expand the Company's service coverage	410.3	346.1	64.2	by the end of 2022
Funding the potential strategic acquisition of and investment in upstream and downstream businesses along the industry value chain	410.3	-	410.3	by the end of 2024
Marketing and branding	307.7	49.5	258.2	by the end of 2023
Working capital and general corporate use	205.2	173.1	32.1	by the end of 2022
Total	2,051.5	689.9	1,361.6	

Since the Listing Date and as at the date of June 30, 2022, the Group had utilized HK\$689.9 million of the proceeds from the Global Offering. The Group will gradually utilize the proceeds from the Global Offering in accordance with the intended purposes as mentioned above. We have placed the unutilised proceeds from the Global Offering not immediately used in short-term deposits with licensed commercial banks or authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable PRC laws and regulations).

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

As at the date of this announcement, the Group entered into a discloseable transaction and continuing connected transactions in respect of a financial services framework agreement and a connected transaction in respect of its tenancy agreement with the connected persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”)) of the Company. The Company also proposed to revise the original annual caps for the continuing connected transactions in respect of the intra-city delivery services under the Intra-city On-demand Delivery Service Cooperation Framework Agreement. These above mentioned transactions (saved for the tenancy agreement) are subject to shareholders’ approval to be obtained at the extraordinary general meeting to be held in September 2022. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. For details please refer to the Company’s announcements published on June 28, 2022, June 30, 2022 and August 18, 2022, and the Company’s circular published on July 20, 2022.

Save as disclosed in this announcement, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

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, to 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 Listing Rules.

The Group has complied with the code provisions contained in the CG Code during the Reporting Period.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG 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 with all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code during the Reporting Period.

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

During the Reporting Period, 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 during the Reporting Period.

Audit Committee and Review of Interim 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, together with PricewaterhouseCoopers, the auditor of the Company, has reviewed the Group's unaudited Interim Financial Information for the Reporting Period. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim report of the Group for the six months ended June 30, 2022 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders by September 26, 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, August 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, Mr. Li Qiuyu and Mr. Han Liu as non-executive Directors; and Mr. Chan Kok Chung, Johnny, Mr. Wong Hak Kun, Mr. Zhou Xiang and Ms. Huang Jing, as independent non-executive Directors.